Distr.
GENERAL

IDB.17/SR.1
7 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 23 June 1997, at 10 a.m.

Temporary President: Mr. Seung Kon LEE (Republic of Korea)
President: Mr. I. POSTA (Hungary)

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V.97 25168 (E) (a:1997:pmo.5)

Distr.: 11 July 1997

The meeting was called to order at 11 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the seventeenth session of the Industrial Development Board.

2. He said that in the year or more during which he had been President of the Board, UNIDO's efforts to reform had been marred by the decision of some major players to withdraw from its activities—a decision all the more painful in that it had come as the Organization celebrated its thirtieth anniversary. Faced with widespread criticism and unfavourable speculation as to its future, the Organization had embarked on what was proving a successful struggle to redefine its role and function. It was now unanimously recognized that UNIDO played a useful role as a specialized agency. The seventh special session of the Board had taken the timely step of establishing an intersessional working group to intensify efforts to reform the Organization. His thanks went to the chairman of that group and to all those delegates who had participated in its work. Uncertainties as to UNIDO's future remained unresolved; nevertheless, through the exercise of collective wisdom, political will and closer cooperation, Member States could overcome the remaining difficulties. A house divided against itself could not stand: parochial interest and short-sightedness thus had no place in the reform process.

3. Finally, he thanked the representatives of Member States, the Director-General and the Secretariat for their support and cooperation, without which his term of office would have been hard and painful.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. István Posta (Hungary) for the post of President; Mr. Ahmed Abdel Halim Mohamed (Sudan), Mr. Jørgen R.H. Bøjer (Denmark) and Mr. Alberto Velazco San José (Cuba) for the posts of Vice-President; and Mr. Ali Reza Tootoonchian (Islamic Republic of Iran) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

7. **The PRESIDENT** thanked the outgoing President of the Board for his able guidance during the deliberations at the Board's sixteenth session. Since December 1996, Member States and the Secretariat had worked intensively to transform UNIDO into a more efficient organization able to respond to the basic demands of developing countries and countries in transition while at the same time operating within the realities of prevailing budgetary constraints. Over the past months, UNIDO's activities had been analysed in numerous meetings and consultations, possible options for its future operations had been discussed and compromise solutions had been sought. The one objective had been to effect a turnaround that would enable UNIDO to face the challenge of changing political and economic circumstances in the context of the long awaited reform of the United Nations system. UNIDO was not the only organization that needed to adapt to the changing political and financial environment: the entire United Nations system faced similar challenges, calling for immediate and meaningful reform. The unexpected announcement by some Member States in December 1996 concerning their withdrawal or possible withdrawal from the Organization had made a considerable impact. On the one hand, it had signalled that a further serious budget cut was to be expected; on the other, it had prompted Member States to engage in a serious examination of some basic questions.

8. Those questions included the following: Did UNIDO's current operations correspond to its mandate? Did the Organization satisfy the real needs of developing countries and economies in transition? Did UNIDO operate effectively in its current form? Did it have a competent management team? Did Member States secure the stable and predictable conditions that were necessary for the Organization's activity?

9. During those discussions, most Member States and the international community had recognized and appreciated the positive changes that had resulted from the reforms initiated at Yaoundé. Those changes were seen as a basis for the further progress that was necessitated by changed circumstances. An honest exchange of views between donors and recipient countries had brought a closer awareness of how that progress could be achieved. At the seventh special session of the Board in April 1997, Member States had decided to continue that process in order to define, through collective wisdom, the Organization's future role, functions and organizational structure. The paper elaborated at that special session setting forth common ground had proved to be a valuable starting point for the intersessional working group's task of formulating a plan for the future of UNIDO. As a result of that intensive joint work, the Board now had a unique opportunity to adopt at its current session a set of recommendations concerning the new functions of the Organization, its main activities and its budgetary framework. The report of the chairman of the intersessional working group (IDB.17/25) was to be presented under agenda item 6. It would be a challenging task for the Board to hold a responsible discussion and come to a

decision taking into account the pressing needs of the developing countries, preserving the universal character of the Organization while securing the necessary focusing of its activities, and maintaining and developing the advantages of UNIDO activity for the future while keeping in mind existing political and economic realities. To neglect any of those elements would be to risk failure—a failure that would be costly for all involved.

10. He therefore appealed to members of the Board to keep constantly in mind the need for compromise solutions which, while they must contain painful elements, need not jeopardize the commonly shared aims of development. The task was to try to build a renewed and successful UNIDO for the coming years. It was his deep conviction that the Board would live up to that responsibility *vis-à-vis* the international community.

ADOPTION OF THE AGENDA (IDB.17/1)

11. **Ms. OK** (Turkey) proposed that item 6 of the provisional agenda should be amended to read: "Follow-up to the seventh special session: draft business plan of the intersessional working group on the future role and functions of UNIDO".

12. **The PRESIDENT** said that the proposed amendment had been discussed at a meeting of heads of delegations, and had received unanimous support.

13. *The proposed amendment was adopted.*

14. *The provisional agenda (IDB.17/1), as amended, was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

15. **Mr. DE MARIA Y CAMPOS** (Director-General) said he was confident that the current session of the Board would give UNIDO the guidance and support required so that an important step could be taken towards securing the Organization's future, particularly in the light of the significant progress made during the discussions of the intersessional working group on the future role and functions of UNIDO. He paid tribute to the outgoing President and his Bureau, and to the staff of the Secretariat, which had been able to issue the documentation for the session in spite of reduced staff resources and an exceptionally heavy workload brought about by the special session and the intersessional meetings.

16. Under agenda item 4, the Annual Report of UNIDO for 1996 (IDB.17/10 and Add.1 and 2) was presented in its new format, which had been welcomed by Member States the previous year. It consisted of three parts: the main volume provided detailed information on the new initiatives and programmes carried out, grouped under the seven thematic priorities previously established and the activities in the various developing countries. Also covered were the Organization's activities as a global forum for industrial development. Two addenda to the report covered the programme performance of the Organization in 1996, with a set of operational statistics and a complete list of technical cooperation projects that had been under implementation in 1996.

17. The report clearly demonstrated that the Organization's unprecedented reforms had borne fruit in 1996. The effective demand for new programmes had risen by an impressive 35 per cent compared with the previous year. Such results had been achieved in spite of budget reductions and a large reduction in staff strength. In addition, the administrative and operational support costs in technical cooperation delivery had been brought down to 14.5 per cent in 1996—the lowest rate among all comparable agencies of the United Nations system, according to recent studies. Staff productivity in terms of per capita delivery had increased dramatically.

18. The document under agenda item 5 on the implementation of the UNIDO reform (IDB.17/19) covered progress since the previous November and dealt primarily with the subjects specifically requested for reporting to the current session of the Board, namely the development of a Management Information Service (MIS) strategy, the status of the cost accounting system and the training of managers and staff in new principles and processes. Of course, it was clear that the upcoming changes as defined by Member States would require further reform measures and adjustments.

19. Another important subject of continued concern was UNIDO's financial situation. Although the subject had not been included in the provisional agenda, he had considered it necessary to provide up-to-date information in view of its relevance to the ongoing deliberations. Specifically, he wished to draw attention to the highly unsatisfactory situation regarding arrears in the payment of assessed contributions, amounting to US$ 98.7 million for the period 1986-1996 and an additional $44 million for 1997. The group that had been set up to consider the issue of timely payment of assessed contributions had started to look into that issue, and he hoped that suitable measures would soon be agreed upon. He added that of all arrears in assessed contributions, two-thirds were owed by the United States of America, which was no longer a Member State of UNIDO. In his view, a solution to that issue, which after all involved legal obligations, needed to be found soon. All Member States, and particularly those that were members of the Group of Seven, should urge the United States to pay its arrears.

20. Turning to the items of the agenda dealing with UNIDO's substantive programmes, he said that on the subject of the development of human resources for industry a reorientation of the programme was proposed on the basis of the results of a recent review of technical cooperation projects with regard to their industrial human resources development content. A recent symposium organized by UNIDO and the Swedish Umeå Centre had adopted wide-ranging recommendations, some of them addressed specifically to UNIDO, whose implementation would contribute to the development of industrial human resources in developing countries.

21. Closely related to the development of human resources for industry were the activities reported for the integration of women in industrial development. Since the Fourth World Conference on Women held in 1995, UNIDO had reviewed its related programmes and was gradually shifting the emphasis from a strict "women in development" approach to a "gender mainstreaming perspective", which had been integrated in most priority programmes.

22. Following up on General Conference resolution GC.6/Res.6 on environmentally sustainable industrial development, UNIDO had initiated a number of activities to increase awareness among developing countries of the implications and importance of voluntary international quality and environmental management systems. Activities in support of eco-labelling had been concentrated in the leather sector, with the experience gained facilitating similar efforts in other agro-related industries. With regard to the Montreal Protocol programme, 49 more projects had been approved in May 1997 for the equivalent of $20.8 million including support costs. UNIDO had also been very active in preparing its contribution to the special session of the General Assembly to review and appraise the implementation of Agenda 21.

23. As for industrial investment promotion, UNIDO's network was expanding steadily, with the traditional Investment Promotion Service offices being supplemented by a new generation of offices and focal points, particularly in developing countries. The new offices enhanced the flow of investment resources from developed to developing countries and were also instrumental in promoting such flows and related technology flows among developing countries. There was an expectation of increased flows to regions such as Africa that had hitherto been marginalized.

24. Under agenda item 11 on private sector development, the Secretariat was reporting (document IDB.17/11) on activities carried out and programmes initiated in response to resolution GC.6/Res.9. It was essential that UNIDO should provide in particular the least developed countries and economies in transition with the support necessary to develop their private sectors, which had a vital role to play in industry. UNIDO assistance had focused on services in support of industrial development strategies, policies and programmes, as well as related institution-building; the ability of private sector organizations to deliver services to industry and to participate in national dialogues on industrial policy issues; and programmes to develop technical, managerial and entrepreneurial skills of men and women in the industrial field, especially to meet the needs of small-scale industry.

25. Turning to the regional dimension of UNIDO's work, he said that the Alliance for Africa's Industrialization had again received strong endorsement from African leaders: in a period of one year it had been discussed at two ministerial meetings and two summits of the Organization of African Unity (OAU). A Plan of Action (see document IDB.17/CRP.4) had finally been approved with detailed goals, commitments and schedules during the thirteenth meeting of the Conference of African Ministers of Industry (CAMI), with the strong support of the last OAU summit. UNIDO was called upon to place emphasis on its global forum function and on four priority areas, namely capacity-building for industrial competitiveness, linking industry and agriculture to enhance productivity and competitiveness in agro-industry, promoting the growth of small and medium-sized enterprises, and promoting private investment and the transfer of clean technologies. A separate report (IDB.17/22) had been prepared on the mid-term evaluation of the Second Industrial Development Decade for Africa (IDDA) which had recommended that the programme should be narrowed and refocused to concentrate on a smaller number of important objectives and that the Alliance would be the appropriate mechanism for that refocusing. The Plan of Action for the Alliance was seen as the appropriate tool for implementation of the refocused IDDA programme.

26. UNIDO had continued to strengthen and reorient its activities in the Arab countries, in Asia and the Pacific, and in Latin America and the Caribbean. A progress report (IDB.17/4) had been submitted on UNIDO activities for the least developed countries (LDCs), assistance to which continued to received fundamental priority among the Organization's programmes. Technical cooperation with the least developed countries focused on such priority areas as institutional capacity-building, human resource development, with special emphasis on development of entrepreneurship for women, investment promotion, small and medium-scale industry and private sector development, as well as environmental programmes. Total delivery of technical cooperation to the least developed countries had increased by 20 per cent in 1996 compared with 1995.

27. The Board would be giving great importance at the present session to the report (IDB.17/25) of the intersessional working group set up at its seventh special session, including the annexed "Draft business plan on the future role and functions of UNIDO". The progress made by Member States in their dialogue on the future of UNIDO and the constructive spirit in which it had taken place were greatly appreciated. The general thinking behind the draft business plan broadly coincided with the proposal on the future of UNIDO which he had himself put forward at the seventh special session of the Board: that applied to the recommendations for an emphasis on UNIDO's comparative advantages, a general orientation towards policy advice and institutional capacity-building, a sharpening of UNIDO's focus in order to support small and medium enterprises and priority industrial subsectors, a decentralization of activities to the field and the introduction of further efficiency-enhancing measures. It was critically important that in the definition of UNIDO's future priorities the universality of its mandate be preserved. First, there had to be universality in the geographical sense to enable UNIDO to address assistance requirements from all developing countries and countries with economies in transition. He was not, of course, questioning the priority to be given to the least developed countries and African countries; it was his hope that voluntary funds might be available for such countries to a greater extent than had been the case in the past. Secondly, there must be universality in substantive terms: while setting clear priorities, UNIDO must be in a position to address industrial development issues in a comprehensive manner, including the promotion of basic technological innovation capabilities across the different subsectors and the application of upstream advice through demonstration projects at the enterprise level. The recent Danish study on UNIDO (see documents IDB.16/SR.1, para. 64, and IDB.S.7/SR.2, para. 102) had found that it was in the interlinkage of upstream and downstream activities that the Organization's comparative advantage and added value were greatest. The Danish experts had concluded that the issue of retaining or deselecting entire subsectors should be considered not separately but within the overall scope of activities and in relation to needs and demands. The draft business plan had been based on similar considerations and had confirmed the need for UNIDO to provide support to institutional capacity-building at country and sectoral levels. However, it remained his hope that a broader sectoral emphasis could be maintained, as long as UNIDO could ensure the maintenance of sufficient technical expertise and the availability of voluntary contributions from developed and developing countries for such a purpose.

28. Turning to the issue of UNIDO's future budgetary resources, he said it was important to recognize that any possible reductions would be composed of different elements. On the one hand, there were measures related to further efficiency-enhancing and organizational streamlining, as well as the implications of the discontinuation of certain activities. On the other hand, there were budgetary adjustments that could stem from changes in the Organization's membership: those would amount to 2.1 per cent in the case of Australia and 7.4 per cent in the case of the United Kingdom. Following his recent talks with the new United Kingdom Secretary of State for International Development, he was hopeful that the new United Kingdom Government would reconsider its position and remain in UNIDO. The general trend in Europe seemed to be towards greater social solidarity.

29. Indicative levels of 20 per cent and 10 per cent reduction of the budget were proposed in the draft business plan. He himself would prefer adding a five per cent reduction scenario to take account of the increased demand for UNIDO's services and the budget reductions already undertaken. However, following the guidelines of the intersessional working group, the Secretariat had worked on the desired scenarios and would present some rough estimates in a conference room paper. They would show further savings potentials to be derived from focusing, efficiency-enhancing measures and organizational streamlining up to about 11 per cent. To go beyond that level, however, would require additional reductions, particularly of UNIDO's present technical capacities. It was for Member States to decide how to utilize such savings, which could be translated into budget cuts, but if reform was about enhanced effectiveness, and not about cost-cutting, such savings should be redeployed into the strengthening of priority programmes.

30. He was increasingly concerned about the situation of the staff and their morale after three years of reforms, staff reductions and ever greater uncertainties. He hoped that Member States, and especially the major contributors, would decide in favour of UNIDO, and that if there were budget cuts they would provide for ways of funding any separations of staff and other extraordinary costs incurred. UNIDO did not have the reserves it had had in December 1995 to cover such costs.

31. Reform was urgent throughout the United Nations system. UNIDO had proved that reform was possible, and he thought it would be sending the wrong signal to the United Nations system if UNIDO were to be punished rather than rewarded for its reform. Applying the UNIDO experience elsewhere could further enhance the effectiveness and cost-efficiency of the operations of the United Nations system.

32. Reforming UNIDO had been his commitment and responsibility when the reform proposals had been approved in December 1993. It was now the moral and political responsibility of Member States to honour their part of the agreement, to confirm their commitment to a

reformed UNIDO and to provide it with a budget commensurate with its relevance and mandate. Although he himself would not be in office in a year's time, the industrial development needs of countries would remain, and might be even more urgent and require even more rapid solutions than they did now. Those solutions could be provided in a manner that promoted global, equitable and sustainable development for the whole of mankind.

ORGANIZATION OF WORK

33. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

34. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

35. *It was so decided.*

36. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

37. In connection with the schedule of work, it was proposed that the financial situation of UNIDO should be considered in conjunction with the joint consideration of agenda item 4 (Annual Report) and agenda item 5 (Implementation of the UNIDO reform).

38. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1996 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (IDB.17/10 and Add.1 and 2, IDB.17/2)

IMPLEMENTATION OF THE UNIDO REFORM (IDB.17/19, IDB.17/24 and Corr.1; IDB.17/CRP.5)

39. **Mr. LUETKENHORST** (Acting Head, Strategic Planning Office) introduced the agenda items. The Annual Report for 1996 was contained in documents IDB.17/10 and Add.1 and 2. The main document first described global and regional industrial trends in 1996; it then reviewed implementation of the UNIDO reform carried out on the basis of the new organizational structure established in 1996 and described new reform-based programme initiatives introduced in 1996, especially the Alliance for Africa's Industrialization, a strengthening of UNIDO's role as a global forum and the creation of the International Business Advisory Council.

40. The bulk of the 1996 Annual Report was focused on technical cooperation programmes. The year covered had been a year of transition. The decline in technical cooperation delivery from $108.5 million in 1995 to $91 million in 1996 had been partly due to the discontinuation of support to the International Centre for Genetic Engineering and Biotechnology. At the same time, approvals of new projects had increased by over $26 million to $101 million, which meant that, despite the dramatic decline in UNDP funding in recent years, the value of project approvals exceeded the value of delivery. UNIDO had obtained access to new sources of funding, and delivery was expected to increase in 1997. It should be stressed that such results had been achieved in spite of budget reductions and staff reductions. Administrative and operational support costs for technical cooperation had been reduced to 14.5 per cent in 1996.

41. Regarding the thematic priorities of the Organization, the Annual Report provided summary narratives of major newly approved and ongoing projects as well as projects completed during the year. Africa continued to be the main beneficiary of UNIDO's services. Its share of technical cooperation delivery had risen from 42 per cent in 1995 to 43 per cent in 1996. The Asia and Pacific region followed with 32 per cent.

42. Progress had been made in strengthening UNIDO's role as a global forum by further developing the new concepts selected in 1995, i.e. the UNIDO seal of accreditation, the UNIDO industrial development index, guidelines for industrial science and technology parks and performance norms and benchmarks for industrial processes. Pilot activities had begun in those areas and cooperation had been established with other agencies and institutions. UNIDO's work in the fields of industrial statistics, industrial information and investment promotion had been expanded. The International Centre for Science and High Technology had now become a fully-fledged UNIDO institution with its own programmes and projects.

43. Document IDB.17/2 contained a brief report on the status of negotiations between UNIDO and the Government of Turkey for the establishment of an international centre for hydrogen energy technologies.

44. Referring to agenda item 5, he said that the report on the implementation of the UNIDO reform contained in document IDB.17/19 had been kept brief in view of the detailed documents submitted to previous Board sessions. Further reform measures would be required and the Director-General intended, in the context of implementing the new business plan of UNIDO, to submit a

comprehensive report on past achievements and future plans to the General Conference at its next session.

45. **Mr. INGRAM** (Officer-in-Charge, Division of Administration) introduced the report on the financial situation of UNIDO (IDB.17/24 and Corr.1). The regular budget situation was characterized by irregular contribution payment patterns and a resulting very weak cash position. However, the Secretariat gratefully acknowledged the strong support provided by some 40 Member States which had paid their assessed contributions in full and 13 others which had made partial payments. Some of those States had made exceptional efforts to meet their financial obligations. The situation, comparable to that prevailing at the same time in the previous year, made it very difficult for UNIDO to plan its cash flow and meet its obligations on time. A complete picture of the status of assessed contributions as of 31 May 1997 appeared in document IDB.17/CRP.5, annex I. Annex II of the same document showed how depleted the Working Capital Fund had become; there was no cash balance at all at present and the Secretariat could see no possibility of replenishment to the level of $6.75 million in 1997. The cash flow analysis for 1997 (annex III) projected a cash balance of only $3.8 million by the end of the year, assuming similar patterns of receipt of assessed contributions to those in 1996, together with continued savings in expenditure. In that connection, significant savings had been achieved through recruitment restrictions, reduced expenditure on travel, maintenance and consultancies and reduced utilization of conference service facilities.

46. Referring to discussions on budget reductions for the period 1998-1999, he said that the separation indemnity reserve, established in 1995 at a level of $17 million, now had a balance of approximately $2 million, and would need to be replenished to fund any further significant staff separations. Unless cash became available through the payment of outstanding assessed contributions, other options would have to be developed to provide cash for such separations.

47. The financial situation of the operational budget could be considered satisfactory because of the increasing level of technical cooperation delivery and strict expenditure controls.

48. The report of the External Auditor, which would be submitted to the Programme and Budget Committee at its next session, had been made available last week to Member States as an Information Note. The report stressed UNIDO's acute financial difficulties and discussed the problems of arrears in assessed contributions and cash flow and the resulting financial risks for the Organization. It also stressed that additional resources would have to be provided to increase the reserve for separation benefits if another staff reduction exercise became necessary.

49. **Mr. ABU** (Ghana), Chairman of the Conference of African Ministers of Industry (CAMI), said that, at the thirteenth Meeting of CAMI (CAMI-13), the African Ministers of Industry had expressed deep concern over current attempts to abolish UNIDO or jeopardize its effectiveness. UNIDO's work was of vital importance for industrialization efforts and any reforms made should aim at ensuring that it became more effective in assisting the developing countries rather than eroding its technical capacity. The Ministers had agreed to encourage African Member States to pay their assessed contributions regularly, to declare their unequivocal support for the continued existence of UNIDO as a specialized agency, to invite the Chairman of CAMI-13 to act as a special envoy of CAMI to selected donor countries with a view to convincing them of Africa's need for UNIDO's services, to invite the Bureau of CAMI to collaborate with African missions in capitals of donor countries and those accredited to UNIDO in order to harmonize strategies for mobilizing greater support for UNIDO and, finally, to seek the support of the Industrial Development Board in recognizing the critical importance of UNIDO's role in promoting industrial development in Africa—the continent which would lose the most if UNIDO was eliminated or drastically downsized.

50. The African Ministers had welcomed the report on the mid-term evaluation of the Second IDDA and, bearing in mind its major findings and taking into account the constraints that most African countries were likely to face for the rest of the decade, and beyond it, they believed that the Second IDDA programme would have to be refocused. They recommended that its scope and coverage be narrowed to make it compatible with countries' capacity to mobilize their human, natural and financial resources, that Governments concentrate on those segments of the programme considered prerequisites for industrial development and leave the production and manufacturing aspects to the private sector, that Governments intensify their efforts to create the economic and political environment that would make private sector initiatives possible and productive, that the private sector and the industrial community as a whole be helped to build up their capacity and enhance their competitiveness and that donor countries be invited to consider revised priorities in detail, including the Alliance programme for private sector enhancement.

51. The African Ministers had drawn certain conclusions from their discussion of the Second IDDA and the Alliance. First of all, since the private sector was weak in most sub-Saharan African countries, the refocused Second IDDA programme should include a component on private sector development focusing on the

development of entrepreneurial skills and the strengthening of support organizations for the promotion of indigenous small and medium enterprises, the establishment of support services and the attraction of foreign direct investment. Secondly, African countries should develop strategic plans for industrial development led by the private sector as an important instrument in guiding economic transformation. Such plans should include a commitment to become newly industrialized nations by a target year and be linked with effective implementation strategies. The private sector and UNIDO should assist countries in developing such plans. Thirdly, industrial development programmes under the Second IDDA should be integrated into national development programmes so as to ensure adequate financing by donors. Finally, trade policies which would facilitate regional integration and enhance the competitiveness of industries should be formulated. For that purpose, it was necessary to promote intraregional trade through the elimination of tariff and non-tariff barriers between African States, investment in communications infrastructures and implementation of trade, investment and industrial protocols in the regional economic communities, to enhance the capacity of regional economic organizations and institutions to implement trade, investment and industrial cooperation protocols and foster economic integration, and to make investment arrangements to succeed the ACP-Lomé IV Convention.

52. The Alliance for Africa's Industrialization was an initiative undertaken to enhance and complement the Second IDDA and was also an input for the United Nations System-wide Initiative for Africa and the United Nations New Agenda for the Development of Africa in the 1990s. CAMI had adopted a Plan of Action for the Alliance (IDB.17/CRP.4), agreeing that that Plan should become the implementation mechanism to facilitate the attainment of the Second IDDA objectives. It had called upon African Member States to draw up national and regional plans of action for the Alliance.

53. CAMI had endorsed the Second IDDA evaluation report and the Plan of Action for the Alliance and approved the creation of a group of Heads of State to serve as patrons and advocates for Africa's industrialization.

54. As a result of the reforms taking place in the Organization, CAMI would cease to be a subsidiary organ of ECA by the year 2001 and the African Ministers considered that UNIDO should be given full responsibility for CAMI. ECA would continue to take part in CAMI's activities and OAU was expected to take a greater interest in CAMI in the context of the establishment of the African Economic Community.

55. CAMI was deeply concerned regarding the future of UNIDO. It believed that UNIDO had made greater progress than any other agency of the United Nations system in the reform process. The reforms made had resulted approximately in a 36 per cent downsizing in resources and staff, new management principles had been introduced and there was a welcome new move towards decentralization. CAMI believed that the reforms should be accelerated and implemented without delay so as to put UNIDO back on the right track as soon as possible. In that connection, it welcomed the efforts made by the intersessional working group in preparing a proposal on UNIDO's future mission and particularly welcomed the emphasis laid in the proposal on decentralization, LDCs, Africa and economies in transition.

56. It was disheartening to note, however, that some major partners were still expressing doubts about their continued participation in UNIDO, and CAMI was deeply concerned about the "draft business plan on the future role and functions of UNIDO" (IDB.17/25, annex), which anticipated further cuts and downsizing. CAMI believed that what was required was refocusing and reallocation of resources. Cutting valuable programmes would render UNIDO ineffective. The vital sectoral expertise that the LDCs and African countries needed most should not be eroded. Their private sector was still too weak to cope with the problems that would inevitably arise out of the implementation of the proposed "business plan".

57. Continents other than Africa might be able to find a replacement for UNIDO's services, but for African countries UNIDO was an irreplaceable partner in their efforts to achieve industrial development. African countries did, of course, have the benefit of other bilateral cooperation programmes, but those programmes hardly dealt directly with industrial development. As the Heads of States of OAU had declared recently, without sustainable industrial development African economies would be condemned to persistent economic crises, dependence on humanitarian relief and deepening poverty, despair and political unrest, with dire consequences for peace and stability in Africa.

The meeting rose at 12.35 p.m.

Distr.
GENERAL

IDB.17/SR.2
7 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 23 June 1997, at 4 p.m.

President: Mr. I. POSTA (Hungary)

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V.97 25174 (E) (a:\1997\pmo.5)

Distr.: 11 July 1997

The meeting was called to order at 4.40 p.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that the practice established at previous sessions, namely, to hold informal in-session consultations to facilitate the drafting of decisions and subsequent consensus in the plenary. All members of the Board were urged to participate in the consultations.

2. The Bureau had further recommended that for the current session, the informal consultations should cover items 4 to 20 inclusive.

3. With regard to item 19, the Bureau had recommended that, as on previous occasions, it should itself examine applications from intergovernmental organizations and non-governmental organizations for relationship agreements or consultative status with UNIDO and make recommendations which it would submit to the drafting group in the form of a draft decision.

4. *It was so decided.*

5. **The PRESIDENT** added that any texts of draft decisions should be submitted to the Bureau as soon as possible, before being submitted to the informal consultations. A deadline would be set when circumstances so permitted.

6. The Bureau had also recommended that Mr. A. Halim Mohamed, Vice-President, should chair the consultation meetings.

7. In line with the Board's recommendations on the conduct of business and in order not to prejudge the results of debates in the plenary, draft decisions would not be discussed in the informal consultations until after the debates on the relevant subjects had been concluded in the plenary.

8. The Bureau had also reviewed a request by the staff representative for presentation of the views of the staff and had recommended that such a presentation should be made as early as possible under agenda item 6.

9. *It was so decided.*

10. **The PRESIDENT** said that the Bureau had also agreed that a representative of the International Business Advisory Council (IBAC) should address the Board during its consideration of agenda items 7 to 11 inclusive, and in particular with regard to agenda item 11.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1996 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.17/10, Add.1 and Add.2, IDB.17/2)

IMPLEMENTATION OF UNIDO REFORM (*continued*) (IDB.17/19, IDB.17/24 and Corr.1; IDB.17/CRP.5)

11. **Mr. Seung Kon LEE** (Republic of Korea), referring to agenda item 4, said that the 35 per cent increase in demand for new programmes in 1996 compared with the previous year meant that the number of UNIDO's clients had continued to rise.

12. The development of new procedures and guidelines to simplify administration and give greater autonomy and flexibility to Investment Promotion Service offices was commendable. Further effort should be made to decentralize and delegate authority to the field and to streamline and simplify the entire UNIDO programme and project cycle.

13. The diversification of financial resources was essential and the Secretariat's efforts in that direction had been noted. The strengthening of private sector involvement should help to increase financial resources for UNIDO's activities.

14. With regard to agenda item 5, his delegation had noted the Secretariat's faithful implementation of the Board's request in respect of the Management Information System strategy and policies, the cost accounting system and the training of managers and staff in new principles and processes. The Secretariat should continue its internal reform, keeping pace with the ongoing discussion of UNIDO's future.

15. Reform was not an end in itself, but a dynamic process, and a reformed UNIDO could set an example for the United Nations system as a whole. The continued reform efforts of the Secretariat following the Yaoundé Declaration, and the ongoing discussion on the future of UNIDO should be complementary to one another, since their shared goal was to revitalize UNIDO as a specialized agency of the United Nations mandated to assist the industrialization of developing countries.

16. Securing financial resources, of which the assessed contributions were the core, was essential to UNIDO's future. It was all the more important therefore that Member States should take the necessary action to ensure timely payment.

17. **Mr. SUWANDI** (Indonesia) welcomed the delegation from Kazakstan, whose participation in the work of the Board would add to the strength of the Organization.

18. The Indonesian delegation noted with appreciation the Annual Report of UNIDO for 1996, with its addenda (IDB.17/10, Add.1 and Add.2) and the report on the establishment of an international centre for hydrogen energy technologies in Turkey (IDB.17/2). The Secretariat was to be commended for its efforts to furthering UNIDO's programmes despite budgetary and staff cuts. The reduction in the administrative and operational support costs of technical cooperation delivery on the one hand and the dramatic increase in staff productivity on the other clearly demonstrated the success of the reform process.

19. In its role as a global forum, UNIDO should focus more on upstream activities in order to maximize resources for assisting the developing countries in their industrialization process. It was essential to improve the policy, institutional and normative framework in the developing countries in order to create a climate conducive to industrial development.

20. His delegation expressed its satisfaction at the approval of pioneering projects to develop an industrial development index and a set of related industrial development indicators and welcomed UNIDO's initiative in formulating a self-assessment and quality control system to assist in the appropriate use of science and technology parks, particularly in relation to regional industrial development, and to support their continuous development and improvement. It looked forward to receiving a handbook containing appropriate guidelines. The Organization's invitation to Indonesia to participate in the implementation of pilot activities in the textile dyeing and printing industries was much appreciated.

21. Human resources development was one of the most essential elements in the industrialization process. His delegation consequently welcomed the recommendations by the Symposium on International Cooperation in Human Capital Formation for Industry, recently held in Sweden, on action which might be taken by UNIDO, including the development and implementation of international benchmarking and the dissemination of empirical data on industrial human resource development. Industrial human resource development activities should be translated into business opportunities.

22. The comprehensive report on the implementation of UNIDO reform (IDB.17/19) and the Director-General's determination to continue his reform efforts were welcome, particularly bearing in mind the very difficult circumstances prevailing. In that connection, he noted the development of the Management Information System and information strategy and related policies, and of the new cost accounting system. Managerial effectiveness and accountability and the link between individual and organizational performance were particularly important, as highlighted by the Director-General.

23. The bulletin on programme managers, defining the policies for the implementation of UNIDO programmes and projects was also welcome. It was an integral part of the quality system of UNIDO services and set out the roles and responsibilities of the team leaders and project managers involved in the implementation of technical cooperation projects.

24. The Director-General was to be commended for finalizing the bulletin on programme and project evaluation, including the guidelines covering the entire management process for UNIDO services. It was to be hoped that evaluation would focus on the management project cycle as well as on project quality. Sustainability in terms of project management should be assured and unnecessary bureaucratic controls eliminated.

25. **Mr. BREITER** (Switzerland) said that, in his delegation's view, the Annual Report of UNIDO for 1996 (IDB.17/10) provided a good and informative overview of the activities undertaken by the Organization during the past year. In that period, the reform efforts had led to concrete results for the first time, project volume having increased by 35 per cent to US$ 100.8 million and effective support costs having been reduced to 14.5 per cent. However, substantial dependence on the Montreal Protocol as a main source of funding might in the long term prove problematic if the Protocol were discontinued. Alternative sources of financing thus needed to be found, and his delegation welcomed the idea of raising funds in the private sector.

26. Switzerland hoped that the further, necessary, streamlining would not discourage the Organization from viewing the reform as an ongoing process. However, such efforts could be effective only if all Member States paid their assessed contributions in full and on time.

27. **Mr. JEDDA** (Tunisia) said that his delegation was aware of UNIDO's irreplaceable role in industrial development for the developing countries in general and those of Africa and the LDCs in particular, and was fully committed to the retention of UNIDO as a specialized agency of the United Nations. The Organization should pursue its reform process to adapt to new world-wide economic realities and thus remain viable and effective.

28. The Annual Report in its new form was welcome. The addenda to the report and the comparison of projects approved during the 1995-1996 biennium by source of financing, by region and by project cost demonstrated the Secretariat's progress towards achieving transparency and clarity and the effective evaluation of its activities.

29. The importance of continuing the reform process on a long-term basis to permit adaptation of the Organization's mandate, structure and financial capacity could not be overemphasized.

30. The Secretariat had been urged at the sixteenth session of the Industrial Development Board to improve the balance between resources allocated to substantive programmes and to administrative activities and to continue to implement the UNIDO reform process on the basis of high-quality monitoring and programme evaluation as well as through the establishment of demand- and result-oriented planning and budgeting systems. It was therefore important to ensure that such systems were properly implemented between the current session of the Board and the seventh General Conference in December 1997.

31. His delegation welcomed the development in the Secretariat of a new methodology permitting a comparison of income earned with expenditure incurred in relation with programme resource allocation, and of the analytical accounting system, which should be consolidated during the forthcoming period.

32. With regard to the preparation of a bulletin on financial matters and the implementation of financial strategies, it was important to ensure that all those guidelines were covered by the full report on the reform process and measures yet to be taken, which would be presented to the seventh session of the General Conference.

33. **Mr. BORG** (Observer for Malta) said that industrial development accounted for a substantial part of economic growth in his country, whose manufacturing sector made up some 24 per cent of the total national workforce. The Annual Report of UNIDO for 1996 (IDB.17/10) indicated that, despite staff reductions and shortfalls in assessed contributions, the Organization had succeeded in increasing its services to the benefit of small countries such as his own. Malta continued to believe in UNIDO, whose relevance could not be over-emphasized.

34. With its export-oriented economy, Malta suffered from the negative changes taking place in the global trading regime and his delegation was concerned to note that manufacturing performance in developing countries was being affected by slower world trade, which had an adverse impact on economies such as his own. Malta's major trading partner was the European Union; its industrial sector comprised foreign-owned export-oriented subsidiaries in the manufacturing and services sectors, a limited number of large Maltese-owned companies in the construction and food and beverages sectors, and also some indigenous manufacturing industries. The last category consisted of small- and medium-scale industries, which accounted for almost 94 per cent of all manufacturing enterprises and employed 37 per cent of the manufacturing sector's total workforce. It was therefore encouraging to note that UNIDO had begun to implement a new programme initiative of promoting competitive and innovative small and medium enterprises (SMEs). Malta hoped that, although it was no longer regarded as a recipient under UNDP criteria, it would have the opportunity, as a small island country, of benefiting from that programme of UNIDO and of being included in regional activities and projects. While noting with satisfaction the relevant contribution by the Government of Italy, his delegation believed that Malta could benefit from the UNIDO Support Programme for Innovation and Networking (SPINNet), and looked forward to exploring how cooperation under that project could be pursued.

35. The Maltese Government, through the recently established Institute for the Promotion of Small Enterprises (IPSE), aimed to revitalize the local industrial sector by formulating a strategy for its development, modernization and restructuring, by providing services such as training, business advice and support to existing enterprises and to potential and new entrepreneurs. Under a project recently arranged with UNDP, his Government's efforts at developing the domestic micro and small manufacturing enterprise sector would be supported through assistance in the operation of IPSE. A contribution from UNIDO was also envisaged.

36. In the context of economic and technical cooperation among developing countries (ECDC/TCDC), Malta had recently been designated by UNDP as a pivotal country for human resources development, and it intended during the coming months to enter into consultations with UNDP on concrete details. His delegation noted that UNIDO specifically supported initiatives towards co-sponsoring ECDC/TCDC programmes on a cost-sharing basis, seeking to complement those efforts, *inter alia*, by promoting tripartite cooperation involving developed countries. Malta would be ready to explore such cooperation.

37. Malta noted the efforts made by UNIDO to consolidate its programme for the integration of women in industrial development within the framework of the Organization's thematic priorities. His country attached particular importance to the special role which the female workforce played in industrial development. The newly established Parliamentary Secretariat for Women's Rights would ensure that women's affairs received the highest political backing from the Maltese Government, and many initiatives were being undertaken to give women the necessary encouragement and support to pursue a career outside the home. His delegation hoped that UNIDO would enable Malta to benefit from projects and programmes specific to women, including those relating to entrepreneurship development, the role of

women in manufacturing and in science and technology programmes.

38. His delegation noted with interest the progress achieved in the four areas of UNIDO's function as a global forum for industrial development selected for further exploration. The collection of industrial statistics and the industrial information programme were valuable assets in assessing and mapping future strategies for more efficient capacity-building in the industrial sector; his delegation would continue to support those programmes.

39. UNIDO's programme on international technology centres was an important area of activity for sustainable development. The global centres provided a mechanism for linking new technology promotion with investment opportunities through international collaboration and the development of strategic alliances. His delegation wished to acknowledge with appreciation the support which it received from the International Centre for Science and High Technology (ICS) at Trieste. The related two-week training course held in Malta on geographic information systems and risk assessment for integrated coastal management in the Mediterranean had been a complete success. The newly acquired status of the ICS should enhance its capacity for assisting countries like Malta in areas of vital importance to their development, particularly in the environmental field. The ICS director was to be commended for his efforts to put the Centre on a more solid footing in order to meet the challenges of the future, particularly in strengthening its role of providing participants from small countries with access to state-of-the-art industrial research and development. His delegation hoped that the ICS would continue to assist Malta to strengthen its local capacities and expand its regional role in the Mediterranean.

40. Turning to the regional dimension of UNIDO's activities, Malta had for many years advocated policies whose primary objective was to strengthen stability and cooperation in the Mediterranean region, which continued to be affected by political tensions, social and economic imbalances and environmental degradation. As a European State situated at the centre of the Mediterranean, Malta shared the responsibility for promoting the notion of partnership and cooperation in the region. The convening of the second Euro-Mediterranean Conference in Malta in April 1997 had been highly successful in its search for peace, stability and cooperation in the region. While the Conference should be seen not as an end in itself but as an evolving process, the fact that 27 States came together to forge a Euro-Mediterranean partnership was of far-reaching significance. The role of industry in the region had been the subject of a series of Euro-Mediterranean meetings. UNIDO should monitor developments in that field more closely, and he was certain that the countries forming the partnership would gain from the expertise and technical cooperation that UNIDO could provide.

41. With regard to the plan for subregional offices in connection with UNIDO's field representation activities, Malta's strategic position made it an ideal location for one such subregional office. Bearing in mind the industrial base of its economy, the newly created IPSE and the island's excellent communication links with all countries of the region and beyond, Malta could respond promptly and effectively to the demands for services in the countries covered. His Government was ready to explore that possibility further with UNIDO.

42. **Mr. VIERITA** (Romania) said that the Director-General was to be commended on the presentation of the Annual Report of UNIDO for 1996 (IDB.17/10), which, in addition to providing concise information on the Organization's activities in 1996, contained essential elements that enabled Member States to assess the results of the reform exercise to date.

43. Regarding the Organization's future role and functions, his delegation believed that the ongoing process of reform should concentrate on the terms under which the organizational structure of UNIDO would be reshaped. Any decision of the Board on that question would need to reconcile the reduction of the budget, as proposed in the Draft business plan, with the tasks that UNIDO would be called upon to fulfil in promoting sustainable industrial development.

44. His delegation wished to stress the need for timely payment of assessed contributions as a means of increasing the Organization's financial stability. Romania had recently settled its arrears in full, and was committed to the fulfilment of its future financial obligations.

45. **Mr. DE MARIA Y CAMPOS** (Director-General), commenting on points raised during the discussion, said that it was gratifying to note general agreement that the Annual Report of UNIDO now responded better to the concerns of Member States. An endeavour had been made to present the information in the report and its appendices in the most direct and transparent manner possible. It was hoped to improve the report even further in the future and to provide permanent access to project information on the Internet.

46. The recognition by Member States of the Organization's upstream efforts was most welcome. Of particular importance was the reference by the representative of Indonesia to the valuable work done by UNIDO not only in providing advice on policy matters and industrial strategy issues but also in undertaking preparatory work with a view to establishing an industrial development index. The Organization aimed to establish, by the spring of 1998, an improved method for

benchmarking industrial development, a task for which it was uniquely qualified.

47. Regarding the comment by the Swiss representative concerning excessive dependence on the Montreal Protocol in view of the latter's possible discontinuation, he pointed out that the Montreal Protocol appeared to be assured of substantial additional funding for several years to come. Efforts should be concentrated on exploring the different ways in which Member States could make voluntary contributions for other projects that could permit a broader range of activities in the various industrial sectors. There appeared, for example, to be a high demand for activities relating to institutional capacity-building in many different areas outside the scope of the Montreal Protocol programme. While it was not intended to reduce the volume of project activity under that programme, it should none the less be possible to give greater emphasis to other projects, depending on the concrete support forthcoming from Member States.

The meeting rose at 5.30 p.m.

Distr.
GENERAL

IDB.17/SR.3
9 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 24 June 1997, at 10 a.m.

President: Mr. I. POSTA (Hungary)

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V.97 25349 (E) (a:\1997\pmo.5)

Distr.: 14 July 1997

The meeting was called to order at 10.35 a.m.

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

FIELD REPRESENTATION (IDB.17/9)

1. **The PRESIDENT**, speaking as chairman of the intersessional working group, introduced document IDB.17/25. He said that four basic issues that needed to be considered had been identified: activities to be carried out by UNIDO in the future; activities to be discontinued; guidance concerning the future programme and budgets, in particular for the next biennium; and the organizational set-up of the future UNIDO, i.e. the organizational structure of the higher level of the Secretariat, including field representation. The results of the work were embodied in a "draft business plan" (IDB.17/25, annex).

2. In the group's drafting work, he had sought to avoid the procedure of starting with a developing country position and an industrialized country position and then seeking to merge the two positions. He had thought the task too serious for that method to be followed. The different groups of Member States had worked together from the outset, making compromises and taking account of each other's interests and possibilities in a joint attempt to find the correct direction for UNIDO to take.

3. A basic consideration had been that the document to be drawn up had to fulfil at least two basic objectives. Firstly, it had to provide a clear outline of the most important activities to be carried out by UNIDO in the future, with a clear and well-defined description of activities that could give the Secretariat unambiguous guidance in elaborating the programme and budget proposals and reorganizing the staff accordingly. Secondly, it had to send a clear message to the Governments of Member States that the future UNIDO would be a different organization from the current one and would take into account the changed political and economic realities.

4. The preambular part of the document left the mandate of the Organization unchanged, but indicated without any ambiguity the need to focus activities and the shift to be made in UNIDO's overall work and management.

5. There had been a unanimous feeling within the working group that the best way to define UNIDO's future activities was to use a "dual track approach", identifying activities that the Organization should be engaged in and activities that should be discontinued. There had been serious discussion of the list of activities to be discontinued in order not to lose more than was absolutely necessary when redefining the scope of future activities.

6. Under the heading "Financing and budget", the document stressed that the budget format should reflect a programmatic approach. The Secretariat was requested to prepare two budget proposals, with an indicative level of 20 per cent and 10 per cent reduction, for the session of the Programme and Budget Committee (PBC) to be held in September 1997. Preliminary estimates of the budgetary implications of the draft business plan were contained in document IDB.17/CRP.7.

7. The basic objective of the proposed changes in the organizational structure was to streamline the Organization's higher management in order to reflect the changed priorities in activities and to strengthen field representation as well as the middle level of management. The working group considered that it was necessary to define only those basic elements of the new structure that had direct political importance or were absolutely necessary in the forthcoming budgetary process; the middle level of management was a matter for the new Director-General.

8. The working group had accomplished its task and it was now for the Board to take decisions. Good decisions by the Board could still influence the future of UNIDO; it was important not to lose momentum.

9. **Mr. WHITING** (Chief, Budget Section), introducing document IDB.17/CRP.7 ("Preliminary budget estimates, 1998-1999"), said that the estimates presented did not arise from a full costing of detailed programme activities; the Secretariat had estimated to the best of its ability, and within the short time available, budgetary savings, cuts and indicative resource allocations in response to the requests of Member States. Although the Secretariat intended to present to the PBC a programme budget which would largely but not entirely equate with the divisional structures shown in the draft business plan, the preliminary estimates had been presented in table 2 of document IDB.17/CRP.7 under major areas of expenditure, including divisional groupings, because detailed analysis which would identify the allocation of funds on a programmatic basis had not yet been completed. For that reason the resources for the regular programme of technical cooperation and the Industrial Development Decade for Africa (IDDA), for example, were presented separately.

10. Under the 10 per cent budget reduction scenario, the estimated savings arising from the discontinuation of activities identified in the draft business plan (IDB.17/25, annex) amounted to 3.25 per cent of the budget base and savings in respect of efficiency-enhancing measures and streamlining of the organizational structure amounted to 6.85 per cent. Adding the mandatory adjustments to the regular programme of technical cooperation, the total available for budgetary adjustments or reductions was 10.75 per cent, or $16.8 million. With a possible plough-back to substantive programmes of 0.75 per cent, the scenario provided the basis for a 10 per cent indicative budget reduction.

11. When estimating the indicative 20 per cent budget reduction, the Secretariat's task had become altogether more difficult: the second 10 per cent consisted mainly of cuts in post and non-staff resources in all UNIDO programmes. The Secretariat had considered, but rejected, an across-the-board percentage reduction applying to all programmes, and the indicative reductions and allocation of resources had been made having regard to the need to maintain the minimum levels of expertise to meet current and anticipated demand in substantive programmes which fell under the two main clusters presented in the draft business plan. The ultimate allocation of resources in the programme and budget would depend on a programme analysis of activities and expected outputs under those two main clusters. A second consideration had been the need to reduce the impact of budget cuts on resource allocations for the field programme and IDDA activities. The third consideration had been the recognition that administrative and support services should be kept in balance with substantive activities and should have resource allocations which ensured efficient administration while at the same time providing for the proper management and safeguarding of the Organization's financial resources. The indicative 20 per cent budget reductions (presented in table 1(b) of IDB.17/CRP.7) contained, in addition to the 10 per cent scenario, new lines for programme reductions representing post and non-post cuts in all programmes and for cuts in the regular programme of technical cooperation.

12. Reducing the size of the Organization entailed costs in respect, for example, of the redeployment of staff from Vienna to the field and the completion of current projects in areas designated for discontinuation. The need for additional resources for staff reductions under both scenarios was addressed in the paper.

13. Table 3 presented the development of the indicative budget estimates from the approved budget for 1996-1997, and might assist Member States in identifying the base budget level upon which the indicative reductions might be made.

14. **Mr. TIWARI** (India) asked whether the Secretariat had factored into its calculations the closure of the UNIDO liaison offices at Geneva and New York, which had been proposed by some Member States.

15. **Mr. HALIM MOHAMED** (Sudan) asked whether the Secretariat could provide an indicative estimate of the impact of the budget reductions on field representation and the IDDA, which were supposed to be priority areas for continuation.

16. **Mr. WHITING** (Chief, Budget Section) said that some cost reductions had been made in respect of the liaison office at New York, but both liaison offices remained in the budget reduction scenarios, albeit at lower levels of financial resourcing. Under the 10 per cent scenario no resource reductions had been applied in respect of field representation and the IDDA, but under the 20 per cent scenario sufficient resources could not be found in the substantive programmes and it had been proposed that a reduction in the two areas of perhaps 7.5 per cent might be appropriate. It was for the PBC to decide.

17. **Mr. DE MARIA Y CAMPOS** (Director-General) said that UNIDO, like the other specialized agencies, was obliged to have a representation at New York and Geneva. In general, the other specialized agencies had much bigger liaison offices than UNIDO. The offices were fundamental to UNIDO's work, saving travel costs and playing an important role of communication with those countries not permanently represented at Vienna. The IDDA had been cut as little as possible, but in a 20 per cent scenario it was unavoidable that some of the present support programmes were cut. Much of the resources of the IDDA came from the regular programme of technical cooperation. An extraordinary effort had been made to undertake streamlining and to reduce administrative costs in order to cut substantive programmes as little as possible.

18. **Mr. BULA CAMACHO** (Colombia) asked what, in the view of the Director-General and the Secretariat, would be the maximum budget reduction that would allow the Organization to continue operation.

19. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he would be very concerned about any reduction in UNIDO's budget; however, it was for the Board to give a clearer definition of the functions it wished the Organization to perform, and then he could give a clearer answer to the question put by the representative of Colombia. He was in no doubt that a stronger UNIDO would be in the interests both of the developing countries and of the other Member States, and if it was up to him he would increase the Organization's budget, not reduce it.

20. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 16 ("Field representation"), discussed the general context of future field representation, taking into account the situation that would prevail after 1997, and described the proposed characteristics and geographical coverage of the new system of representation envisaged, and the suggested procedure for its introduction (see Board decisions IDB.16/Dec.15 and IDB/S.7/Dec.3, annex, paras. 8-12, and documents IDB.16/19 (paras. 9-23) and IDB.17/9 (paras. 7-14)).

21. The conditions under which the implementation of the proposals for a subregional structure for field representation would be feasible were set forth in paragraph 19 of document IDB.16/19.

22. It was envisaged that staff assigned to the field would be treated similarly to Headquarters staff.

23. The subregional offices would work closely with the national focal points. Their location would be determined on the basis of a number of different criteria. Taking into account the experience of other organizations of the United Nations system, some 20 subregional offices could be envisaged. It would be useful to hear the views of Member States on the Secretariat's suggestions in that regard as soon as possible.

24. **Mr. FÖRSTER** (Netherlands), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, said that the sensitive issues concerning UNIDO's future had been thoroughly discussed at recent meetings and extensive consultations had been held between Member States, regional groups and the Secretariat. Despite differences of opinion on certain issues, all those who had taken part in the discussions were aware of the urgent need to find a way out of the current impasse and all had made great efforts to reach a compromise. The European Union appealed to all Member States to continue their efforts to reach final agreement on the issues still outstanding. It considered that the draft business plan provided a good basis for discussion.

25. The clustering of activities in the areas in which UNIDO had more expertise than other development and assistance organizations should enhance the Organization's role in the United Nations system. UNIDO had an important part to play in strengthening industrial capacities and in promoting cleaner and sustainable industrial development. UNIDO should also concentrate activities in the least developed countries (LDCs), especially in Africa, agro-based industries and the private sector, particularly small and medium enterprises (SMEs), and continue to assist countries in transition, providing services in integrated packages. Costs should be shared more frequently when recipients were in a position to contribute to UNIDO programmes.

26. After the areas in which activities should be concentrated had been identified, the Secretariat had asked for a budget ceiling. The European Union had suggested a 20 per cent reduction in the budget, a figure which could not be considered as final since other Member States held different views and the decision on the budget ceiling could only be taken by the Programme and Budget Committee and the General Conference at its next session.

27. The European Union was convinced that the draft business plan (IDB.17/25, annex) provided a basis for enabling Member States to agree on the future structure of the Organization. That structure should correspond to the main areas of concentration which would result in UNIDO having two operational divisions and one separate department for administration and finance. It would be useful to have a deputy to the Director-General, but the place of such a deputy within the Organization would be determined at a later date. UNIDO would have to decentralize activities to the field, and it should improve functional and programme coordination between its field representatives and those of other organizations. The European Union would like to see field offices integrated in a unified United Nations representation.

28. It should be pointed out that UNIDO's financial difficulties could be solved if Member States honoured their commitments. UNIDO's financial stability was threatened when Member States failed to pay their assessed contributions or paid them late, and the European Union appealed to all States concerned to pay their arrears and assessed contributions promptly, in full and without conditions.

29. The European Union hoped that the current process would result in a fully reformed UNIDO, efficient, credible and relevant. Without such a result, accompanied by real transparency in management, UNIDO's survival might be endangered. All concerned should continue to work together to solve the problems facing the Organization.

30. **Mr. Seung Kon LEE** (Republic of Korea) expressed his thanks to all those who had taken part in preparing the draft business plan for their excellent work. The document contained key elements for the future of UNIDO, its activities and new organizational structure. The grouping of the substantive activities of the Organization into a few major programme areas was desirable. While recognizing the importance of UNIDO as a provider of technical cooperation, one should not neglect its global forum role; its function as an industrial

development think-tank should be maintained. A balance should be struck between the two functions.

31. Regarding finance, new measures for mobilizing additional funds and expediting the payment of assessed contributions should be sought, and the Secretariat should make further efforts to diversify and stabilize UNIDO's financial base. The new organizational structure should be simple and small but efficient. Unnecessary bureaucratic controls should be done away with and authority delegated from Headquarters to field offices as soon as possible. Personnel management should be based on the principles of merit and efficiency.

32. He would be in favour of establishing a mechanism to strengthen regular contacts between Member States and the Secretariat. He endorsed the proposal to establish some 20 subregional offices and considered that such offices should be established wherever functionally justified. The will and capacity to support those offices financially should be an essential factor in determining their location. The location of pilot offices in particular should be decided after careful consideration of the factors involved. He suggested that the Secretariat provide preliminary information on the staffing and budgets of subregional offices to arouse the interest of Member States in the plan. Close links should be established between subregional offices and the Investment Promotion Services network.

33. He wished to suggest that the Secretariat, which was an object of reform but also a part of UNIDO, should be allowed to express its views more effectively on UNIDO's future. The long accumulated knowledge and experience of the Secretariat were a valuable asset.

34. Finally, he expressed his support for the main contents of the draft business plan He hoped that it would serve as a guideline for UNIDO's future and that the General Conference at its seventh session would launch a really new UNIDO.

35. **Mr. SOKOLOV** (Russian Federation) said that his country's position towards UNIDO was based on its wish to maintain an effective and viable structure to help promote the industrial progress of the developing countries and meet the industrial development needs of countries in transition. It believed that the new UNIDO should remain an independent specialized agency. In considering the future of UNIDO, the approach must be to try to achieve optimum results in the framework of existing possibilities.

36. His delegation had played an active part in the preparation of the draft business plan, which it considered to be concise and well-balanced. UNIDO should become an organization with a more specific mandate and a smaller number of priorities and functions. The business plan would provide a sound basis for UNIDO to adapt to changing economic circumstances. It was only through radical reforms that UNIDO could revive confidence in it among donor countries.

37. One important function of the business plan was that it should convince Member States that UNIDO was being reformed and was ready to move away from ineffective activities of little use to their beneficiaries. His country was ready to support the draft plan. It welcomed the recognition contained in it of the need to help countries in transition and to reaffirm the role of UNIDO as an intermediary between them and the developing countries. It fully recognized that UNIDO must also pay attention to the needs of the LDCs, especially those in Africa. It welcomed the focus on strengthening industrial capacities and on achieving cleaner and sustainable industrial development. UNIDO's future activities should be focused on a restricted number of sectors, especially agro-industry, and especially in the LDCs.

38. Radical reform would not be feasible without considerable changes in the work in the field. His country had always believed that resources should be concentrated in subregional offices and that host countries should pay part of the expenses involved. The number of such offices should, however, be extremely limited and the offices staffed by members of the Secretariat redeployed from Headquarters. Close cooperation between UNIDO sub-regional offices and the field offices of other agencies was essential. The unified United Nations representation in Moscow had worked very successfully and it would be useful to include in the business plan reference to the possible integration of UNIDO offices in a unified United Nations representation.

39. The working group had carried out a very difficult and painful task in identifying programmes that could be discontinued. It was hard to do away with programme activities but it was only thus that a new organization could be built up on a stronger basis. The operation might become a model for other organizations in the future.

40. The new organizational structure would have to be workable. The Secretariat should take great care in preparing its proposals for restructuring, particularly at the highest administrative level. If, for example, the number of managing directors was limited to three, the mechanism for delegating powers would have to be reviewed and strengthened.

41. He agreed with the proposal for two budget options. The Secretariat should continue its preparations as soon as possible. The draft budget must be based on the business plan and take into account forthcoming changes in UNIDO's membership, the cessation of some activities,

the rationalization of organizational structures and the introduction of efficiency-enhancing measures. The reduction in the budget must begin by more savings being made in administration and auxiliary areas. An appropriate level of financing must be ensured. Resources should be reallocated to strengthen the remaining activities in line with the maintenance of UNIDO's independence and viability. The savings on administrative and auxiliary expenditure and the allocation of resources to priority areas should be reflected in the business plan. The format of the proposed budget should reflect the reallocation of resources to priority areas and not be set out in accordance with the subdivisions of the Secretariat. He welcomed the suggestions made for the introduction of greater flexibility in financial regulations and innovative approaches to the mobilization of extrabudgetary resources.

42. **Mr. BAJOWA** (Nigeria) said that developments affecting UNIDO during the past two years had not been encouraging, when the urgent needs of the developing countries, especially African countries, were borne in mind. Africa continued to show negative growth in industrial output, with its share in manufacturing value added stagnating, while the level of industrialization remained low. In a recent report UNCTAD had indicated that Africa received only $3 billion out of the $235 billion recorded in foreign direct investment. The value of UNIDO's assistance could not be overemphasized. Its importance had been clearly highlighted recently by the Conference of African Ministers of Industry and the Organization of African Unity summit. The African Ministers of Industry had expressed grave concern at the negative views expressed concerning the relevance of UNIDO and called for unreserved support for the Organization. Studies made by independent bodies concerning UNIDO's relevance had, however, reached positive conclusions and he was confident that the remaining scepticism would soon disappear. He supported the appeal of the African Ministers to those countries threatening to withdraw from UNIDO to reconsider their position.

43. He had studied the draft business plan (IDB.17/25, annex) with keen interest and fully endorsed the grouping of activities set out under A and B and the proposed areas of concentration of activities. Caution should be exercised in the discontinuance of some of the activities listed, to avoid possible disruption of ongoing programmes and projects. He was particularly concerned at the proposal to discontinue the human resources development programme as such. Industrial human resource development was considered basic by his country; its importance in facilitating the transfer of technology and the delivery of services to the developing countries could not be overemphasized. He therefore suggested that the programme be considered one of the major areas in which UNIDO activities should be concentrated.

44. Recent developments meant that the budget would need to be reviewed, but the idea that expenditure must be reduced at any cost should not be encouraged. There could be a moderate reduction in the budget commensurate with the level of reduction in programmes and not exceeding 10 per cent. Regarding the administrative structure, the presence of too many executives on the same level had not led to efficiency, and the issue of shared responsibilities during the absence of the Director-General had been raised. He suggested that the number of divisions should be reduced from six to three, and that the most senior director should deputize in the absence of the Director-General, rather than having a new post of deputy director-general. There should, of course, be maximum African representation at the policy-making level.

45. The reform efforts made should in no way diminish the important role of UNIDO as a specialized agency within the United Nations system. Member States should continue to give their full support to the Organization. He was encouraged by the proposals submitted concerning services to LDCs and Africa, agro-industries, the transfer of technology, assistance to small- and medium-scale industry and the transfer of environmental technologies. UNIDO had made a positive impact in strengthening Nigeria's technological and industrial base, in facilitating the formulation of an industrial master plan and the development of the fertilizer industry and in strengthening the National Office for Technology Acquisition and Promotion in Lagos and the African Centre for National Metallurgical Development Centres in Jos. UNIDO had also assisted research institutes through technical advisory services. It was hoped that it would continue such cooperation, particularly as regards the development of indigenous technology, the rehabilitation and modernization of industries and support for the promotion of small- and medium-scale industry in the developing countries.

46. The African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) had continued to justify its establishment, facilitating the development and manufacture of engineering components for industrialization in Africa. It needed greater support from UNIDO and African States.

47. More thought needed to be given to the programme for the Second Industrial Development Decade for Africa. He wished to invite the Director-General to enhance the IDDA unit at Headquarters to make it more visible and to enable it to function effectively, ensuring appropriate coordination with the Alliance for Africa's Industrialization. Nigeria had designated its National Committee on Industrial Development as the focal point in Nigeria for the coordination of the Alliance and IDDA programmes.

48. Nigeria had initiated a programme entitled "Vision 2010", which represented an all-embracing economic, political, social and industrial philosophy. It had also embarked on a programme designed to empower women in business and industry and established an export-processing zone and export-processing factories to encourage foreign direct investment in Nigeria and the export of non-oil products.

49. The UNIDO field representation programme had come to assume special importance in the achievement of UNIDO's objectives, and it should be strengthened. Since the posting of a UNIDO Country Director (UCD) to Nigeria, the Nigerian private sector had shown increased interest in UNIDO's technical assistance and advisory services. The programme deserved to be adequately funded. His country would be interested in hosting one of the regional offices and had continued to honour its commitments to the UCD in Lagos as a mark of its continuing support for the UNIDO field representation programme.

50. Finally, he called on all Member States to honour their financial commitments to the Organization without delay. Nigeria continued to believe in UNIDO as an organization dedicated to promoting industrialization in the developing countries and countries in transition. It had initiated efforts to pay its 1997 assessed contributions in full as soon as possible and believed that all Member States should renew their commitment to the Organization.

51. **Mr. RWENDEIRE** (Uganda) said it had been demonstrated that industrialization had played a key role in the economic and social development of the developed and newly industrialized countries (NICs); it would be illogical to expect Africa to achieve development in any other way. Yet the economies of most African countries continued to face serious crises and distortions due to low levels of industrialization coupled with over-dependence on exports of primary agricultural products. UNIDO thus had a vital role to play in the process of restructuring, modernizing and transforming the African economies, through provision of information and advisory and technical cooperation services at all levels.

52. Member States should therefore not press for too many reforms that might prevent UNIDO from fulfilling its mandate. The trends towards globalization of the world economy and regional integration called for a strengthening of UNIDO's activities in areas such as: human and institutional capacity development, industrial investment promotion and networking; support programmes on environmentally sustainable industrial development; services for the development of small and medium enterprises and in support of agro-based industries and their interlinkages with the rest of the economy; and technical assistance to LDCs, particularly in Africa.

53. Support for LDCs was of great significance to the African region. In a world in which technological advances had transformed production and marketing processes and enhanced competitive capability in many fields, the situation in most African countries remained a matter of great concern. With the decline in official development assistance and limited inflows of investment and technology, African economies required radical transformation to enable them to join the mainstream of global trade and technology flows. Industrial strategies, policies and programmes should aim at bringing about qualitative change in African enterprises to ensure accelerated and competitive production capability. UNIDO had an increasingly pivotal role to play in facilitating the planning and implementation of the required changes. His delegation thus concurred with the finding of the thirteenth meeting of the Conference of African Ministers of Industry (CAMI) that UNIDO was one of the international forums that could fully complement the efforts of the African countries to industrialize. Furthermore, UNIDO should remain a specialized agency, and should continue to receive adequate financial support for its programmes, particularly those related to the African region. His delegation called upon all Member States to give their political and financial support to the revitalized UNIDO.

54. In view of the priority accorded by the Board to LDCs, it was reasonable to expect that, without prejudice to the principle that the highest standards of competence and qualification must be taken into consideration in making high-level appointments, the African region would be adequately represented in the Organization's top decision-making cadres.

55. As an LDC, Uganda was faced with formidable development challenges, including poverty alleviation, human resource development and the transformation of its economy's productive structures. Its objective was to modernize in the shortest possible time, and it had undertaken far-reaching political and economic reforms in the context of structural adjustment programmes, continuing to liberalize its economy by placing greater emphasis on the primacy of market forces and the importance of macro-economic stability through good governance. It paid particular attention to reinvigorating the private sector, enhancing domestic resources mobilization and facilitating foreign direct investment, and sought to provide an enabling environment for entrepreneurship and enterprise development. Programmes aimed at enhancing the private sector's capacity to play an effective and sustainable role in accelerating economic growth and modernization covered the areas of human resource and institutional capacity

enhancement, comprehensive infrastructural development, improved access to credit, and provision of business support services. In addition, Uganda had pursued an aggressive privatization policy under which most of the public enterprises were to be divested. Privatization was a long and complex process requiring experience and expertise that Uganda did not possess. His delegation thus commended UNIDO's valuable contribution to and active participation in that exercise, and appealed to the Director-General to ensure that its capacity in that field was enhanced. The idea, proposed in the draft business plan, of discontinuing that element was therefore not acceptable to his delegation.

56. On the issue of development of human resources for industry, his delegation had noted with appreciation the Director-General's report contained in document IDB.17/6. The NICs had clearly demonstrated that a large, well educated, properly trained and highly skilled workforce had a major impact on the speed of industrialization. Africa had a very long way to go in that regard. His delegation associated itself with the resolution adopted at the thirteenth meeting of CAMI requesting the Director-General to deal, as a matter of top priority, with the development of African indigenous entrepreneurship and to substantially increase support to African regional and national institutions dealing with the promotion of industrial and technological manpower. It called upon the developed countries and the NICs to support African countries' efforts to train industrial and technical manpower.

57. With regard to integration of women in industrial development, he said his delegation had noted with concern that UNIDO had not given much support to Uganda in that area. The new constitution of Uganda promulgated in 1995 had provided for enhanced participation by women in decision-making at local and national levels, and the Government had put in place regulations giving equitable opportunities to women in education and employment. His delegation reaffirmed the importance of integration of women in industrial development, and requested the Director-General to assist in the implementation of the Beijing Platform of Action. UNIDO should give priority to helping in the establishment of small and medium enterprises by women entrepreneurs throughout Africa.

58. On the Second Industrial Development Decade for Africa, his delegation appreciated the efforts of the Secretariats of UNIDO, the Economic Commission for Africa and the Organization of African Unity to carry out a mid-term evaluation of the programme for the Decade. It was to be hoped that the lessons learned from the evaluation would be taken into account in future IDDA programmes. His delegation recommended that the Director-General should provide adequate technical and material support to ensure that the priority programme for the Second IDDA was implemented, and it was comforted by his assurances that financial reductions would not substantially affect the programme.

59. On field representation, his delegation had noted that only four of Africa's LDCs had a UNIDO Country Director. His delegation was convinced that the stronger the field representation in a given country, the more effective would be the contribution of UNIDO. Its core activities should thus be focused at the field level, making assistance to LDCs a much higher priority than had hitherto been the case. The African LDCs should have very strong field offices headed by active and visionary UCDs. In Uganda's case, UNIDO activities had not been supported by a rich diversity of programmes. In his delegation's view, that lack of vigour, variety and depth had been principally due to a weak and poorly manned UNIDO office in Kampala. It therefore appealed to the Director-General to ensure that the field offices and activities received adequate financial and material support.

60. Lastly, on the reduction in the budget, a 20 per cent scenario and a 10 per cent scenario had been proposed. His delegation would have preferred a third, 5 per cent, scenario. However, it supported the 10 per cent scenario, in view of the lack of available financial resources.

61. **Ms. VON GRÜNIGEN** (Switzerland) said that, unlike some delegations, the delegation of Switzerland broadly supported the draft business plan elaborated by the intersessional working group (IDB.17/25, annex). However, five issues required further comment. First, with regard to UNIDO's future activities, her delegation welcomed the proposed dual role of UNIDO in strengthening industrial capacities and supporting cleaner and sustainable industrial development. However, to give a clear picture of future resource distribution, there should be clear indicators in the working programme with respect to concentration of activities, indicating what percentage of projects would be dedicated to LDCs, and what coverage should be achieved in geographical, sectoral or thematic clusters. The Secretariat should provide some indications in that regard.

62. Secondly, her delegation welcomed the new form in which the budget would be presented, providing a clear overview of what budget resources would be used by which divisions. It felt, however, that the budget should be elaborated only if the structure of UNIDO's future activities was clear. The budget estimates should be in accordance with the activities to be delivered and with the decrease in assessed contributions caused as a result of the withdrawal of some Member States.

63. Thirdly, the streamlined Organization needed an adequate organizational structure, and her delegation

associated itself with the intersessional working group's proposal in that regard. As, under the new structure, there would be two substantive clusters, it seemed logical that there should also be two substantive divisions. A third division should comprise functions related to administration, operational support and coordination of field representation. Whether the future Deputy Director-General would be the senior officer of the third division was a question still open for discussion.

64. Fourthly, effective decentralization and strengthened field representation had to be secured. That implied appropriate delegation of authority, and also a clear-cut reporting system, core competences with respect to financial decisions and a suitable evaluation procedure for the field representative. Decentralization might thus prove an expensive exercise. The consequences of such a step should be considered before the relevant decisions were taken.

65. Finally, her delegation wished to stress the need for an evaluation scheme that fixed performance indicators. Some output indicators should be elaborated to enable UNIDO and its Member States to measure the progress achieved in the reform process objectively. Indicators for the success of project proposal quality could be, for example, the ratio of submitted projects to project approvals, and the ratio of professionals to administration. Along with a timetable for implementation, those indicators could serve as a "road map" for the future of UNIDO.

66. **Mr. MEYER MEDINA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the process of reform initiated in 1993 had been hampered by continual calls for further emergency measures. Since 1993 the Organization had been immersed in a process of constant external and internal change, with substantial, continuing cutbacks, while, by contrast, the demands of developing countries and countries in transition increased and diversified. Under the leadership of the Director-General, the Secretariat had shown an undeniable commitment to seek ways of meeting the changing needs. Against that background, GRULAC acknowledged the selfless decision of Mr. de María y Campos not to stand again as a candidate for the post of Director-General. GRULAC had not yet decided on its stance regarding the election of the new Director-General. However, it would be receptive, having regard to the interests of the region and the need for industrial development, to any candidate with the necessary political and technical qualifications who also commanded general support among Member States.

67. While mindful of the need for a thorough and realistic analysis of UNIDO's future role, GRULAC believed that it must contribute to creating a constructive working climate, acknowledging that it was Member States that were to a large extent responsible for the crisis the Organization was undergoing. GRULAC would contribute constructively to efforts to create a modernized, dynamic and efficient UNIDO that could meet the new challenges in the field of industrial development.

68. UNIDO must maintain its universal character, taking account of differing regional and subregional circumstances and needs for services in various industrial sectors. Consequently, it must have a broad sectoral coverage and respond to technological progress. GRULAC also wished to reiterate the importance it attached to decentralization of the Organization and strengthened field representation with a clearer mandate. Those complex issues must be studied on the basis of a sound, integrated functional analysis, and not merely considered in terms of budget cuts.

69. On the budget, the Board would have to reach clear consensus decisions to enable the Secretariat to prepare adequate proposals for the next biennium. Deep budgetary cuts might threaten the very *raison d'être* of the Organization, if it was prevented from carrying out the basic functions of a world organization specializing in industrialization. There was much convincing evidence that excessive budget cuts had counter-productive effects.

70. In conclusion, GRULAC appealed not only for the completion of the process of redefining UNIDO's future through high-level dialogue aimed at achieving consensus but also for a transition to a new phase of genuine support for and political commitment to the Organization on the basis of shared responsibility, allowing sufficient time for the reform process to take effect and lead to positive results in terms of industrial development cooperation.

71. **Ms. LAJOUS VARGAS** (Mexico) said that her delegation had participated in a constructive spirit in the consultations on the future role and functions of UNIDO and in the intersessional working group. Above all, it was important to ensure that the new UNIDO could meet the needs that had emerged in the new global context. At Yaoundé in December 1993, Member States had embarked on a process of reform to respond to those new needs. Just three and a half years after the start of that process, according to the recent evaluation conducted by a group of Danish experts, the various mandates given by Member States for the reform had been almost entirely fulfilled. Nevertheless, along the path to reform, the Organization had encountered adverse external factors that had hampered completion of the reform process while obliging it constantly to change direction. In her delegation's view, the situation in which the Organization now found itself was not attributable solely to the need to adapt to new requirements, but also to factors such as a trend towards a reduction in official development

assistance and towards recourse to bilateral rather than multilateral aid. Member States thus now had a historic obligation to ensure that their work would bear fruit.

72. In that connection, she reiterated her delegation's view that UNIDO must remain a specialized agency of the United Nations system. An important step had been taken with the preparation of a draft business plan (IDB.17/25, annex) by the intersessional working group. While the plan would certainly have repercussions for developing countries and countries in transition, her delegation considered that, in the prevailing circumstances, it was an acceptable basis for further work. It should be understood that the listing in the document of activities to be retained was not exhaustive, as otherwise there would be a risk of excluding potentially important activities. In that context, she wished to reiterate the importance her delegation attached to ensuring that human resource development informed UNIDO's activities across the board. That was implicit in the wording of subparagraph (j) of the list of activities to be discontinued. A further important point was the need to link UNIDO with the private sector in the discharge of the tasks assigned to it. Her delegation thus welcomed the contribution submitted by the International Business Advisory Council set up in the framework of UNIDO.

73. On the budget, she wished to state that Mexico rejected the equating of reform to budgetary cuts, although on occasion the two might go hand in hand. While aware that some Member States might be experiencing domestic budgetary difficulties, Mexico, as a developing country, felt bound to express its concern at the prospect of further cuts. It hoped that the final decisions would not be geared solely to budget cuts *per se*, but that a spirit would prevail that was consistent with the importance assigned to UNIDO's new priorities.

74. Field representation was one of the agenda items with the broadest scope, as it was directly related to decentralization as one of the cornerstones of the new UNIDO. Her delegation considered that, if the Board was to be able to take decisions on that question, a number of conditions would have to be fulfilled once the debate on the Organization's future role and functions had been concluded. It would be important to consult with Member States and regional groups concerning the criteria for implementation of a new, essentially subregional, field representation structure. In particular, her delegation considered that any decision, including one concerning the possible opening of pilot subregional offices, must take account of the principle of equitable geographical representation.

The meeting rose at 12.55 p.m.

Distr.
GENERAL

IDB.17/SR. 4
9 July 1997

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 24 June 1997, at 3 p.m.

President: Mr. I. POSTA (Hungary)

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V.97 25355 (E) (a:\1997\pmo5)

Distr.: 15 July 1997

The meeting was called to order at 3.50 p.m.

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO *(continued)* (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

FIELD REPRESENTATION *(continued)* (IDB.17/9)

1. **Mr. PALACIOS CEVALLOS** (Ecuador) said that, like many other developing countries, his country was taking up the challenges posed by economic globalization but considered that that process should also have a social justice dimension so that the situation of major population groups living in poverty could be alleviated. Industrial development, and hence UNIDO, could contribute to establishing a balance in the world economy and international trade relations by boosting economies at different levels of development with consequent job creation, improved product quality, fairer prices and promotion of the private sector, especially SMEs. His delegation therefore supported UNIDO's new orientation towards the promotion of sustainable industrial development and stressed the importance of coordinated international action to meet the challenges of the twenty-first century.

2. The Organization's original mandate should not be seen as a brake on its own development, but as mechanisms for shaping a modern and strengthened Organization responsive to the new challenges of the world agenda and hence worthy of Member States' political and financial support. A vital factor in transforming that vision of the future UNIDO into reality was decentralization, whereby the Organization's field offices should not only be reorganized but also strengthened in order to ensure that UNIDO remained in touch with reality.

3. His delegation agreed with the representative of Korea that full account of the views of the Organization's staff, including its management, should be taken in streamlining UNIDO and also supported the views expressed by the representative of Bolivia on behalf of GRULAC.

4. He congratulated the Director-General on the Annual Report, which reflected a serious effort to rationalize UNIDO's budgetary management and to comply with the decisions and recommendations of Member States.

5. **Mr. BENATTALLAH** (Algeria) expressed his delegation's support for the statements by the representative of Sudan, on behalf of the African Group, and by the representative of Ghana, whose Government was to be congratulated on the success of the recent Conference of African Ministers of Industry.

6. UNIDO's unprecedented financial situation and the failure of some recipient countries to honour their contractual obligations should not be viewed from the purely financial angle but should be seen as a sign of despair in the future of multilateral cooperation, a feeling which would most probably be dispelled once UNIDO had regained the confidence of all its Member States. In future, UNIDO should endeavour to secure the payment of contributions by improving its effectiveness and thus convincing Member States that their investment in the Organization would yield returns. The reform plan under consideration was therefore crucial in determining whether the Organization could win back that confidence.

7. Regarding field representation, it was vital that the Member States and the Secretariat coordinate their efforts more closely in order to work out a joint scheme. However, such a scheme would now be contingent on the final agreement emerging with regard to the business plan and should take account of the future role and functions of UNIDO. Consequently, the scheme based on document IDB.16/19 had been superseded and should be abandoned. Approval of the future UNIDO field representation structure should be linked with more precise information on the financial implications of such redeployment, the level of the staff deployed and the functions of the regional offices. In that regard, he repeated his delegation's call for abolition of the Geneva and New York offices and urged the Secretariat not to take the action recommended in paragraph 15 of document IDB.17/9 but to wait for the new guidelines that would be formulated on the basis of the business plan.

8. With respect to the latter plan, he expressed his delegation's support for the draft, which had been prepared by and for Member States and represented in all regards a viable framework for the Organization's future role and functions and, ultimately, a lifebuoy to keep it afloat. His delegation supported the following specific proposals: the grouping of future activities in two clusters; the discontinuation of the activities specified in the plan; a 20 per cent budget reduction; a compact structure consisting of three divisions with a small organizational unit attached to the Office of the Director-General to deal with policy coordination, external relations, legal advice and internal audit, while the activities of the field offices would be coordinated by the administrative and financial department, the system whereby the head of one of the three organizational components would be designated to act as deputy to the Director-General; and the strengthening of ongoing monitoring of the Organization's activities

by the Member States through a closed joint group composed of the secretariat of the Regional Group chairmen, serving as an informal coordination mechanism for improving communication between the Secretariat and Member States in the present transitional phase. Because of that group's informal character, Member States could dissolve it when it was no longer needed.

9. Concerning the level of the proposed budget reduction, his delegation supported a reduction of between 15 and 20 per cent, which would cut out the excess fat of the Organization and increase its effectiveness, including that of its parts. The recommended reduction was based on the premise that Germany, at least, would maintain its membership of the Organization. Moreover, adoption of the business plan should be accompanied by an appeal to Germany, the United Kingdom and Australia to stay in UNIDO or return to it. In considering the financial situation, his delegation operated on the principle that the budgetary restrictions applied in Member States, especially developing countries, should be extended to the international organizations. Sacrifices were the price to be paid for rehabilitation of the economic and industrial sectors of developing and transitional economy countries. His Government was interested in any type of saving to be made in the payment of contributions, savings which would add to the funds yielded by economies at the national level and would be channelled towards youth employment.

10. Finally, the spirit of cooperation shown by the Member States involved in the work on the business plan and their sense of responsibility and realism had been exemplary and should be maintained, since the road ahead was long and hard. The signal now awaited in the capitals of the developing countries was an assurance by the major donor countries regarding their commitment to funding the Organization's operational activities.

11. **Mr. AMIRKHIZI** (Islamic Republic of Iran) stressed the urgency of securing final approval of the draft business plan, which should be finalized, if at all possible, during the current session, and of preparing for its implementation in order to ensure the Organization's safe passage through the current crucial period and the continued provision of benefits to all developing countries. Consultations would also be necessary in preparation for the election of the next Director-General, who would have to be equal to the task of implementing the new reform process in all its aspects.

12. During the previous year's commemoration of UNIDO's thirtieth anniversary, Member States had reaffirmed the Organization's value as a centre of excellence for industrial development, a view echoed by the Danish evaluation, which stressed UNIDO's potential as a provider of integrated service packages geared to the specific needs of Member States with developing and transitional economies.

13. In order to benefit further from its comparative advantages, in the light of the two new activity clusters defined by the intersessional working group, UNIDO should not neglect the creation of both direct and indirect subsectoral linkages, focused on industrial services, especially those relating to human resources, i.e., training and technical and management assistance.

14. The approval of core functions and the discontinuation of non-relevant activities should not, however, have the result that the developing countries would be deprived of UNIDO's capabilities, which had been built up over a period of 30 years. To avoid that, outsourcing should be considered in connection with activities designated for discontinuation in the 1998-1999 biennium; field offices could be authorized to provide technical assistance for the relevant programmes upon request, with allocation of adequate resources, subject to reimbursement of total expenditures by recipient or host countries.

15. Regarding the two alternative budgetary reduction scenarios of 10 and 20 per cent, he felt that the former figure, at least, was inevitable in view of the withdrawal of certain Member States from the Organization. In order to determine what ceiling to place on the reduction, it would be worth exploring the following courses of action: developing a programmatic budget format and allocating posts on the basis of new activities and the completion of approved projects in the areas of the discontinued activities; allocating new posts and staff to the Division of Administration and management in general in order to enhance their efficiency and effectiveness; outsourcing the discontinued activities and reducing the Organization's divisions and senior management posts; and working out new approaches to funds mobilization and cost-sharing arrangements through the field offices.

16. In the reformed organizational structure, it was essential to improve management in general and to ensure the delegation of authority and accountability at the level of field offices as well as in middle management. Due regard should be given to equitable geographical distribution when filling posts at the senior level. His delegation was in favour of a flat organizational structure and the designation of one of the Managing Directors as acting deputy to the Director-General during the latter's absences from Headquarters.

17. The three new divisions could be structured in such a way that the division responsible for the first cluster—strengthening of industrial capacities—would cover global forum activities, investment promotion and related technologies, and coordination of field office program-

mes; the second, dealing with cleaner and sustainable industrial development, would embrace environmental sustainability and sectoral support activities; while the third would cover support activities relating to administration and operational support.

18. In conclusion, he noted that valuable opportunities had been lost owing to the lack of a clearly defined mandate for the Organization and the divergence of views among Member States. The time had come for the developed and industrialized countries to add their practical political and financial support to the commitment and cooperation already demonstrated by the developing countries.

19. **Mr. TIWARI** (India), speaking on behalf of the Asian Group, emphasized the vital importance of understanding and cooperation between developed and developing countries in achieving the goals of sustainable industrial development, namely, economic growth and universal well-being. Such a spirit of understanding and cooperation had been demonstrated by the intersessional working group, whose achievement was to be commended. It was vital to continue in the same spirit in order to transform UNIDO into a new and viable organization fulfilling the needs and aspirations of the developing countries in a context of budgetary constraints and changed realities.

20. The working group had achieved consensus in retaining those activities of UNIDO in which it had a comparative advantage internationally. In that regard, the developing countries had shown a commendable sense of realism, courage and self-sacrifice in agreeing to a list of activities to be discontinued, which had been kept as short as possible. The clustering of activities in two programmatic areas ensured a clear focus and made for savings by reducing the number of organizational divisions. In addition, numerous measures had been suggested for further savings on non-essential and less essential activities. The Asian Group considered that UNIDO should focus on the priorities and activities formulated by the intersessional working group and that its new management should follow the guidelines set out in the draft business plan. It was clear that further restructuring and downsizing would be necessary, but the fairest approach would be to defer all recruitment, promotions and separations, except for retirement, until the new Director-General had taken office.

21. He pointed out that the objective of the two proposed budgetary scenarios was not to cut the budget as an end in itself but to plough back the savings into the two main clusters indicated. That would enable developing countries to receive the assistance they required, while assuring donor countries that their contributions were being better utilized and impressing on the Secretariat the continuing need to be cost-effective.

22. **Mr. WANG BAORONG** (China) commended the realism of the Annual Report and its detailed description of UNIDO's achievements in clarifying the focus of its activities and establishing priority areas, while also producing practical results in the reform of its internal structure, work procedures and operational mechanisms. The increase in new technical cooperation projects approved and the simultaneous decrease in administrative and operational costs as a proportion of the budget had resulted in a welcome increase in the per capita implementation rate.

23. It was regrettable that, notwithstanding the success of the reforms undertaken, UNIDO was not yet delivered from its crisis. In that connection, his delegation endorsed the regrouping of UNIDO's activities proposed in the draft business plan into two clusters, but any change in its organizational structure should enable UNIDO to function normally as an independent specialized agency and to take full account of the real needs and interests of the developing countries. As to the focus of its activities, UNIDO should concentrate on its areas of comparative advantage, such as the Global Industrial Forum, the provision of information on international industrial trends, dissemination of industrial information urgently needed by developing countries, promotion of industrial technology transfer, assistance for the technological renovation of SMEs and the dynamic development of investment promotion activities through existing UNIDO networks.

24. Further internal adjustments were necessary to streamline the Secretariat and increase its efficiency, accountability and transparency. UNIDO should continue its efforts to cut down administrative expenditure while using its limited resources to the maximum for operational activities. In that regard, it was to be hoped that all Member States might reach a common understanding on UNIDO's future through consultations leading to renewed confidence in its ability to play an important and continuing role in the promotion of the economic development and the strengthening of North-South and South-South cooperation. At a time when the economic interdependence of States was increased by globalization and trade liberalization, assistance provided by developed countries to developing countries in order to accelerate their industrialization and eradicate poverty would ultimately yield dividends for the developed countries by creating more extensive markets and investment opportunities, while also making for greater peace and tranquillity.

25. His delegation therefore appealed to all Member States to pay their assessed contributions in a timely manner and called on the developed countries in particular

to increase as far as possible their development aid to developing countries and to take practical action to support UNIDO.

26. **Mr. BOURITA** (Morocco) noted the particular importance of the current session of the Board, taking place as it did very shortly after the special session devoted to the future of UNIDO. There would thus be an opportunity to examine and possibly adopt the report of the intersessional working group. The group's work had been informed by a spirit of responsibility and cooperation, despite several difficult moments due to differences in approach and position. While broad agreement had been achieved on most parts of the draft, two fundamental issues were still unresolved—the Organization's budget and structure.

27. With regard to UNIDO's future activities, the Secretariat should give a broad interpretation to those retained and a restrictive one to those designated for discontinuation. Otherwise, recipients of technical assistance might be discouraged by excessively constrictive implementation procedures.

28. The approach adopted in the draft business plan with regard to preparation of the budget, namely, the indicative reduction levels of 20 and 10 per cent, had preserved consensus, at the price, however, of failing to solve the Organization's financial problems once and for all. Although the Secretariat note contained in document IDB.17/CRP.7 stated that budget reductions in excess of 10 per cent would severely strain the Organization's capacity to deliver its services in an effective and efficient manner, his delegation would await with great interest any proposals on the subject put forward by the Secretariat in the coming months. In that connection, three principles were of vital importance. In the first place, UNIDO's mandate, the impartiality of its operations and the critical mass necessary for the smooth functioning of its services should be safeguarded. Second, the savings achieved in administrative areas should be largely ploughed back into technical cooperation programmes. Third, UNIDO's financial problems could not be solved unless Member States paid their arrears in contributions, which amounted to over US$ 142 million. In order to solve that problem, the working group should be re-established with a view to submitting specific recommendations to Member States.

29. His delegation considered that the Organization should continue to view Africa, in particular sub-Saharan Africa, as one of its priorities. It was essential to integrate Africa in the globalization process by supporting its industrialization efforts. In that connection, the initiative for a New Global Partnership for Development, launched by the Group of Seven in Lyon in 1996 and recently confirmed by the Group of Eight in Denver, was most welcome.

30. Field representation should occupy a prominent place in the Organization's reform. In that regard, while supporting the general philosophy behind the decentralization of UNIDO's activities and the broad lines of the implementation strategy proposed by the Director-General, his delegation stressed the need for intensive consultations with Member States before any final decision was taken on the matter.

31. While the working group had clearly fulfilled its mandate in presenting its progress report and the draft business plan, there was nothing to prevent States from continuing to hold informal consultations with a view to monitoring the process and making possible a final decision on outstanding matters at the next General Conference. The draft business plan provided a more or less workable framework for reform, but the acid test would be the implementation of its various elements. Ongoing evaluation of the results of the reforms proposed should be carried out on the basis of clear indicators; for that reason, his delegation supported the proposal made by the Swiss delegation at the seventh special session.

32. The current reform exercise had initially been triggered by the announcement of certain Member States of their intention to leave the Organization, but the refocusing of UNIDO's activities, the improvement of its services and the streamlining of its management had already been an urgent necessity for a long time. In many regards, the draft business plan no doubt gave the political signal so keenly sought by the major contributors. It was high time that the latter sent the developing countries, in return, more reassuring messages regarding their commitment to the Organization, to ensuring its continuation under optimum working conditions and, thus, to supporting the industrialization efforts of developing countries and economies in transition.

33. **Mr. SPINA** (President of the UNIDO Staff Council) said that, despite the vindication of UNIDO's role represented by the Danish evaluation report and although the Organization's delivery of technical assistance was not only meeting expectations but had exceeded forecasts in many areas, it was nevertheless true that UNIDO and its staff could not continue indefinitely to stretch themselves to meet growing demands with ever fewer resources. They needed sufficient time to adjust and react to the new directives from Member States. While the direction provided by the latter was essential, the commitment of the staff was also vital for success.

34. Whatever reforms were decided upon, a team approach would be necessary if UNIDO was to fulfil its unique mandate within the United Nations system and to make the best possible use of the human and financial resources at its disposal. That team should include the staff if it was to succeed and it should have clear object-

ives, the role of each player being well defined. Effective teamwork in the United Nations environment was not always an easy matter, but could be achieved given sufficient time. It was also vital that the administrative system be able to assign and evaluate properly the work of teams and their members, a function which was unfortunately not being adequately tackled by the Performance Assessment System currently under review.

35. He appealed to Member States to assign top priority to retraining existing staff for redeployment to meet the challenges of the future; for that purpose, senior management should identify precisely what skills would be needed to carry out Member States' wishes. Such a proactive approach was preferable to squandering an ever shrinking budget on external recruitment, superannuation, consultancy fees, special advisers, separation settlements and the like. After all, there was complete justification for relying on existing staff members to show the adaptability and dedication so often commended by Member States and the Director-General. Furthermore, it did not seem logical to continue to recruit senior-level management staff when Member States were still debating UNIDO's new organizational structure. With a little foresight and planning, existing staff could be groomed to assume leadership positions and the career aspirations of female staff could also be given more serious consideration, in line with the repeated demands of Member States.

36. He recalled the covenant among Member States, administration and staff proposed by the Staff Council at the recent special session of the Board to achieve the goal of industrial development and stressed that the only cost implied by such an approach was that of shared decision-making and renewed trust among all three parties. Staff should be an integral part of the process of formulating reforms and had already shown that they could be trusted to keep Member States informed regarding their concerns and to contribute to the various scenarios proposed for the Organization's future. If staff were to be part of the team, they should also be heard.

37. Care should be taken when reorganizing the Secretariat to place staff members in posts where they could make the greatest contribution to UNIDO. If the proposed reforms to decentralize Headquarters activities to the field were genuinely to improve the delivery of services, the selection of staff for those posts should be based on experience and qualifications rather than considerations of convenience. The staff would pay particular attention to future developments in that regard.

38. Finally, he stressed the importance of the current deliberations in determining UNIDO's future course and whether it could subordinate politics to a genuine commitment to humanity and the building of a bridge of permanent trust to carry the Organization into the twenty-first century. As stated by the Secretary-General, the burden of the decision on UNIDO's future was to be made in Vienna and not in New York. There was much to be lost if the right decisions were not taken to build a new and successful UNIDO for the coming years.

39. **Mr. KHALIL** (Tunisia) wished to know what was the response of the Secretariat to the information just provided by the President of the Staff Council to the effect that high-level personnel were being recruited despite the current phase of restructuring of the Organization.

40. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, of the very few posts currently open for recruitment, most covered extremely specialized needs. For instance, the large increase in the number of project approvals under the Montreal Protocol programme had entailed the recruitment of additional personnel to meet the Organization's obligations under that programme. As to the other posts remaining to be filled, there had recently been a general freeze on senior-level recruitment, but decisions would need to be taken in the near future on some key cases.

41. **Mr. LAESSIG** (Director, Personnel Services), said that the two staff categories in respect of which recruitment was continuing comprised highly technical posts and very senior positions considered essential for maintaining business in the Organization. In the latter category, only two vacancies were currently under consideration, namely, the D-2 post of Director, Country Programmes and Funds Mobilization Division, and the D-1 post of Director, External Relations Services.

42. In connection with the reform of field representation, the establishment of subregional offices on a pilot basis was being proposed. The related posts would preferentially be filled internally, provided that qualified candidates were found, and primarily through transfers from Headquarters to the field.

43. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that the Group had actively participated in the discussions of the inter-sessional working group and had examined the various aspects of the draft business plan submitted by it (IDB.17/25, annex). He hoped that the spirit of give and take which had prevailed throughout those meetings would continue during the ensuing deliberations.

44. The Group's greatest concern had been the diminishing resources available to UNIDO as a result of the withdrawal of some Member States, which would affect the Organization's budget and programmes of activities. Africa attached great importance to UNIDO, as had been clearly elaborated at the thirteenth meeting of the

Conference of African Ministers of Industry (CAMI) and at meetings of the Organization of African Unity (OAU).

45. The reform of UNIDO should not be misconstrued as implying a reduction in programmes and activities but should be viewed rather as a refocusing and sharpening of those operations and of programme delivery. He had noted with concern the activities to be discontinued, some of which were of crucial importance to the industrial development of Africa, particularly those concerning the engineering, chemical and metallurgical industries. Care should be taken to avoid any disruption of UNIDO's programmes in the course of disengagement from those activities. The Group hoped that the future programming of operations would be made on a pragmatic basis and with continued concentration on the industrial needs of developing countries and countries with economies in transition.

46. Prominence should be given to the development of coherent strategies for competitiveness, with emphasis on small- and medium-scale industries. The Group stressed the importance to Africa's industrialization efforts of industrial human resources development since the region still lacked adequate manpower to maintain and manage its emerging technologies and industrial production processes.

47. The Group supported the decentralization of UNIDO's activities, and reiterated its call for the redeployment of UNIDO's human and financial resources from Headquarters to the field, in close collaboration and consultation with Member States and with the geographical groups concerned.

48. The two budget scenarios presented by the Secretariat in the draft business plan had been examined. The Group believed that any reduction in the budget should be realistic. It appealed to its partners to consider a moderate 10 per cent reduction as the maximum workable rate if UNIDO was to continue to perform its functions effectively. The Group would be willing to study the estimates to be prepared in connection with the two scenarios.

49. In the Group's view, the new organizational structure of UNIDO should accommodate a three-department framework and provide sufficient scope for effective management. The creation of a new, independent post of Deputy Director-General was not being contemplated. There should be effective representation of the African Group in the new structure.

50. The Group called for a strengthening of programmes dealing with Africa's industrialization. The priority accorded to that issue in the business plan was commendable. Developments concerning the Alliance for Africa's Industrialization (AAI) had been closely followed, in view of its linkages with the Industrial Development Decade for Africa (IDDA) programme. Coordination of the IDDA programme and the AAI should be further enhanced; the Group hoped that Africa, which had occupied centre stage in UNIDO's operations, would enjoy the practical benefits of those activities.

51. The Group noted with concern the inadequate information provided on African programmes, particularly the mid-term review of the IDDA and programmes dealing with the AAI, and hoped that documentation could be made available on time at future meetings.

52. Finally, the Group appealed to those Member States which had expressed a desire to leave the Organization to reconsider their position, and called upon all Member States to honour their financial obligations to UNIDO.

53. **Ms. SAEDAH** (Indonesia) said that her delegation hoped that the draft business plan on the future role and functions of UNIDO (IDB.17/25, annex) would serve as a basic guide for adapting UNIDO's priorities and orienting its activities to the new realities of the changing global economic environment. It was undeniable that UNIDO needed sufficient financial support in order to be transformed into a new and viable organization. Her delegation was therefore concerned to note the current situation regarding assessed contributions, as set out in document IDB.17/24, and hoped that all Member States would fulfil their financial obligations in order to sustain the operation of the Organization.

54. Her delegation regarded field representation as a key instrument for successful technical cooperation delivery to recipient countries. It accordingly supported the UNIDO field representation programme and welcomed the introduction of significant innovations in the role of UNIDO Country Directors (UCDs), who would also be responsible for mobilization of financial resources at the field offices. However, in current circumstances, field representation was severely hampered by uncertainty, including the termination of UNDP sectoral funding at the end of 1997. Her delegation endorsed the criteria proposed in document IDB.17/9 for establishing the field representation structure. In determining the location of subregional offices, account should be taken of existing field offices in order to ensure the continuation of ongoing projects.

55. The Indonesian delegation welcomed the proposal to establish 20 subregional field offices from 1 January 1998. Factors to be borne particularly in mind were host country Governments' readiness to contribute towards local costs, the existence of a political environment conducive to the efficient functioning of the office, the

volume and growth of UNIDO programmes, and geographical proximity to regional institutions and availability of infrastructure.

56. In connection with the Secretary-General's plans for greater integration of United Nations activities at country level, her delegation felt that the Director-General should prepare a proposal on the most appropriate arrangement for the future UNIDO field representation structure, taking into consideration the planned system-wide field representation at country level.

57. Her delegation supported the proposal for the establishment of subregional offices and agreed that two or three offices should be set up in a pilot phase, and that UNIDO should extend its network on the basis of the experience thus acquired.

58. **Mr. TIWARI** (India) said that the draft business plan on the future role and functions of UNIDO (IDB.17/25, annex) was the culmination of extensive efforts to forge a consensus among wide-ranging points of view. It gave a sharper focus to the Organization's future and clearly recognized the undiminished relevance of UNIDO to industrialization.

59. It had been acknowledged in the preamble to the draft business plan that the universal character of the Organization was to be preserved. However, the exclusion of activities in non-agro-based industries, unless they related primarily to environmental issues or to agro-based industries, would not only give rise to contradiction but would severely undermine the universal character of UNIDO. While agro-industries were of prime importance, they should not be the sole focus of industrial development, even in developing countries. Opportunities might be missed if UNIDO's role were to be so limited. Nor would it be wise to draft the future mandate of the Organization entirely on the basis of current perceptions, which might hamper the mobilization of funding from other international organizations. He therefore urged UNIDO to maintain flexibility in its mandate for meeting the wide-ranging demands of the developing countries, ensuring by setting priorities that the bulk of available resources continued to flow in the preferred direction.

60. The proposed 10 and 20 per cent budget reductions should be viewed against the backdrop of the reforms already carried out by UNIDO over the past four years, during which time it had reduced its staff by 36 per cent. To impose sudden and stiff budgetary cuts could leave UNIDO organizationally anaemic and inadequate. The budgetary reductions should be kept to a minimum and be phased in over two or three years.

61. Given the newly placed emphasis on field representation, consideration needed to be given to the suitability of the proposed three-division organizational structure, particularly as several senior-level professional posts had been abolished under the earlier reform exercise. The potential loss of organizational effectiveness if the span of control at the divisional level were unduly extended should not be overlooked. The views of the Secretariat should be sought on the ability of the proposed divisions to realize the organizational goals. His delegation believed that the overall managerial effectiveness of UNIDO could be enhanced within the available human and financial resources if decisions on its organizational structure were based on its felt needs.

62. **Mr. ABOUZEID** (Egypt) said that Egypt had always supported the reform of international organizations, in terms of adaptation, restructuring, priority setting and focusing of activities, provided that such reform was well balanced and took account of the interests of all countries and of the international community's historical responsibility towards developing countries, in particular the least developed ones, and especially the African States. UNIDO's reform had passed through many stages, culminating in the Board's decision at its seventh special session to set up an intersessional working group to further define the Organization's future role and functions, in whose discussions the Egyptian delegation had participated.

63. With regard to the draft business plan prepared by the intersessional working group (IDB.17/25, annex), his Government viewed with concern the proposal to restrict UNIDO's operations in the engineering, metallurgical and chemical industries to environmental issues and agro-based industries. There were other vitally important sectors relating to those industries in many developing countries, including Egypt, which still required UNIDO's support and consultation services, such as mining, pharmaceuticals and cement. Human resource development was a further area of considerable importance for developing countries. The developing countries had already made major sacrifices and should not be asked to make any more.

64. While Egypt believed that the Organization's budget had to reflect the level of membership, it did not agree to a budget cut of more than 10 per cent, for various reasons. The 10 per cent indicative level was equivalent to the contributions of two withdrawing Member States, although he hoped that those countries would reconsider their decision. Also, under the business plan, UNIDO would discontinue a number of technical activities; the cost of promoting the activities to be retained should form the basis for the preparation of the Organization's new budget. Thirdly, increased efforts were called for in the transitional period and any further negative effects on the budget should be avoided. Moreover, the serious shortfall in contributions to UNIDO's regular budget hampered the

Organization's planning of its future activities and greatly restricted its ability to implement projects to which it was already committed. According to document IDB.17/24 on the financial situation of UNIDO, as of 31 May 1997, only 37 out of a total of 169 Member States had paid their contributions in full for the current year, 13 States having made partial payments. In addition, financial support from UNDP for the field representation programme would cease at the end of the current year. Finally, UNIDO's utilization of the Montreal Protocol Multilateral Fund to implement a number of environmental projects would not continue for much longer.

65. His delegation believed that the change in the budget structure would affect the distribution of resources. That issue would be dealt with at the next session of the Programme and Budget Committee; the current Board session should concentrate on reaching agreement on UNIDO's future activities and on the budgetary ceiling, and should address the issue of non-payment of contributions. It might be useful to establish a means of encouraging States to effect timely payment of their dues and possibly to consider the introduction of a system of compensation for those Members which settled their contributions on time. It would also be beneficial to ensure that the Bretton Woods institutions, in particular, the World Bank, supported UNIDO's functions and role.

66. With regard to the new organizational structure of UNIDO, as set out in document IDB.17/25, the staff structure should reflect the activities which UNIDO would continue to undertake in order to meet the needs of Member States. Africa should be well represented, and one of the heads of the organizational components should be designated to serve as deputy to the Director-General, but without the establishment of a separate post.

67. He did not consider the use of the Enlarged Bureau as an advisory body to be necessary; the related paragraph in the draft business plan should accordingly be deleted. Existing channels for direct dialogue between the Secretariat and Member States were sufficient.

68. He agreed that the field representation programme should be strengthened in order to achieve effective decentralization and that subregional offices should be established through cost-sharing arrangements.

69. **Mr. KHALIL** (Tunisia) said that his country was committed to UNIDO's remaining a specialized agency, in view of its important role in the industrial development of developing countries and countries with economies in transition. At a time of growing globalization of trade and increasing competition, the developing world had an even greater need of the Organization's proven expertise and of the industrial information and statistics which it provided to enable them to select their products and improve their quality.

70. Tunisia had for some time been calling for a radical and fundamental reform of UNIDO, so that it could respond to the urgent needs of the developing countries in specific areas of direct relevance to their industries. Member States should address the issue of the future role and functions of UNIDO objectively. The draft business plan prepared by the intersessional working group on that issue (IDB.17/25, annex) was proof of Member States' willingness to assume that responsibility.

71. The definition of activities and restructuring details contained in that document should help to ensure the Organization's effectiveness and provide it with the necessary flexibility to fulfil its mandate of strengthening the industrial capacities of countries with developing and transition economies.

72. With regard to field representation, his delegation endorsed the proposal put forward in the document and the criteria set out, which were in line with the principle of decentralization, linked to deconcentration, which would make it possible for the field offices to implement decisions promptly. Tunisia had already begun to set up such an office on a cost-sharing basis.

73. His delegation regarded the budget figures contained in the document as purely indicative. The Secretariat should draw up a budget that took account of the regrouping of activities, restructuring arrangements and discontinuation of a number of activities, as set out in the draft business plan, for discussion at the forthcoming session of the Programme and Budget Committee.

74. He believed that the Enlarged Bureau would provide a useful means for intensifying dialogue with the Secretariat, not only with a view to pursuing the reform process but also to guiding management and ensuring the Organization's transparency. It thus constituted a decisive mechanism for consultations on all major issues.

75. UNIDO's financial situation, described in document IDB.17/24, gave cause for concern; prompt action was required in order to encourage all Member States to fulfil their financial obligations, so that the Organization's work programmes could be maintained and effective programme delivery ensured. The implementation of the proposed reforms would not be possible unless Member States paid their assessed contributions on time.

76. **Ms. OK** (Turkey) said that her Government regretted that it had become inevitable to reduce the functions and structure of UNIDO. It was convinced that

such a situation had arisen as a result of the inability of UNIDO's management to adapt to global changes, in accord with its staff and with Member States. Moreover, management had distanced itself from Member States and had attempted to survive by seeking selective support in return for unnecessary new recruitments. Despite the painful staff cuts of the past two years, there was general dissatisfaction with the Organization's reform process. Indeed, it had even been stated that, if UNIDO were not reformed, it should die. Whatever the percentage of the budgetary reduction, it was a sad outcome in the life of an organization that had served as the main driving force of industrial development.

77. Her delegation regretted the relinquishment of ownership of the Organization on the part of its Members, which was reflected in the huge arrears of contributions, totalling some $98.7 million from 1996 and $44 million from 1997. She urged all Member States, both developing and developed, to pay their dues. The status of developing country did not grant immunity from fulfilment of financial obligations.

78. It was a source of consolation that the business plan drafted by the intersessional working group (IDB.17/25, annex) envisaged that UNIDO would continue to pursue the implementation of its mandate to support and promote the sustainable industrial development of developing countries and countries with economies in transition. As also indicated in the plan, it was important to preserve the universal character of UNIDO. The support to be provided for SME development was necessary for the attainment of equitable and sustainable industrial development. The integration of women in industrial development was a further positive aspect provided for in the business plan.

79. Her delegation attached specific importance to UNIDO's role in the promotion of investment and related technologies and to its policy advice and global forum function, and fully supported the principle that the discontinuation of activities would apply to new projects only and not to those already approved.

80. Turkey believed that the new UNIDO should consist of three divisions, dealing respectively with the strengthening of industrial capacities, cleaner and sustainable industrial development, and administration and programme coordination, each division being headed by a managing director.

81. Her delegation strongly supported the designation of a permanent deputy to the Director-General. Continuity in management would thus be ensured and the managing directors would be relieved of certain non-technical administrative duties which they currently had to fulfil in the absence of the Director-General. The deputy would also be able to focus on cross-organizational issues, such as interaction between Headquarters and the field, quality assurance and evaluation.

82. Responsibility and authority should lie with the Director-General, Deputy Director-General and the managing directors. The practice whereby some staff members, appointed either as directors or advisers at the general management level, had assumed functions higher than those of the managing directors should be discontinued. The managing directors, together with the Deputy Director-General, should be the Director-General's advisers.

83. The Turkish delegation had always been in favour of delegating authority to the lower levels of the administration, particularly to the technical staff who implemented projects and comprised the Organization's critical mass. Unfortunately, the high capacity level of UNIDO's technical staff had not been apparent either to member Governments or the international media on account of the elitist management style of the past, in striking contrast to that of IAEA.

84. The Turkish delegation consequently supported the new concept that the relevant personnel or backstopping officers should have greater authority, the more so as it had introduced that concept during its presidency of the Board. Such an arrangement would ensure that Member States received project and programme reports directly from such staff members without having to rely solely on the higher-ranking staff.

85. The Turkish delegation was concerned with the statement by the President of the UNIDO Staff Council and requested that it be circulated to the Board. It fully shared the staff's appeal for a teamwork approach in the Secretariat and had in fact urged the Secretariat to adopt such an approach for the past two years. It was to be hoped that the new Director-General would act accordingly. The Turkish delegation also associated itself with the call on the Director-General by the Indian delegation, on behalf of the Asian Group, to stop hiring and firing until the end of his tenure and to freeze new recruitment, including recruitment of high-level staff. Vacancies should be reserved for further assessment under the new organizational structure and within the resources available at the time. She reiterated her delegation's request that the Secretariat provide a list of the staff recruited since the sixteenth session of the Board, in time for the Board's discussion of personnel issues.

86. The concept of field representation was important and the effective decentralization of activities should be ensured. Turkey endorsed the proposals in the business plan for the redeployment of resources and professional staff from Headquarters to the field, the appropriate

delegation of authority and the formulation of the key functions and responsibilities of field officers.

87. The Turkish delegation had consistently proposed the establishment of subregional and regional offices. Cost-sharing arrangements with host countries should therefore be sought. Turkey had paid its 1997 contribution for the field office headed by a National Director in Ankara and had pledged its share for 1998. It was regrettable that guidance from the Secretariat on structural and cost questions, including possible cost-sharing arrangements, related to turning the field office in Turkey into a regional office had not been forthcoming. A number of criteria applied to the establishment of such offices, including a functionally advantageous geographical location and political and industrial cooperation between countries under consideration, which should also be willing to contribute financially; UNIDO should do its part to ensure the necessary coordination.

88. The Turkish delegation supported the utilization of the Enlarged Bureau as a consultative mechanism between Member States and the Secretariat. Continuous dialogue between the two was essential to the survival of UNIDO and the Board was urged to express its agreement to that concept.

89. **The PRESIDENT** said that Turkey's requests had been noted. A paper on staff recruitment would be made available in time and the statement by the President of the UNIDO Staff Council would also be circulated.

90. **Mr. AL-RACHACH** (Saudi Arabia) said that developing countries looked to UNIDO for services to support their industrial development programmes and to activate technical cooperation among them. UNIDO had clearly achieved some success despite the difficult circumstances prevailing, as the Director-General had indicated in his message in the Annual Report for 1996 (IDB.17/10). It was also clear, however, that the Organization's success would depend on the commitment of Member States to giving positive support to those efforts.

91. Having participated in the intersessional working group on the future role and functions of UNIDO and in preparing the draft plan to enable the Organization to adapt its functions and priorities to changes in the international economic environment, his delegation appreciated the reasons in favour of and against the fundamental plans, and intended to do everything possible to implement the agreed plan in order to ensure the Organization's effectiveness.

92. When putting the plan into practice, however, the Organization should bear in mind, as far as these grouping of activities to strengthen industrial capacities was concerned, that more attention should be paid to the development of human resources for industry and greater support at the institutional and project levels in providing the necessary operational means to reorient the programme into the five specific product areas identified in paragraph 4 of IDB.17/6.

93. While certain activities might be discontinued, Saudi Arabia supported the continued implementation of build-operate-transfer activities as an appropriate mechanism for investment, and the transfer of technology for purposes of the industrial infrastructure; both were vital elements for sustainable industrial development in the developing countries. The lack of scientific certainty as to the effects of greenhouse gases should also be noted, so that all energy sources could be treated fairly.

94. Saudi Arabia supported the Secretariat's views on reformulating the programme and budget document for 1998-1999, particularly in relation to measures to simplify UNIDO's organizational structure and increase its effectiveness.

95. The proposal to establish more field offices was sound. However, its implementation depended on providing the basic qualitative and quantitative capacities for success, the most important of which was the assessment of specialized human resources and appropriate communications facilities with Headquarters in Vienna to facilitate cooperation, exchange of views, and the provision of advice and guidance. That in turn would strengthen capability at Headquarters and increase effectiveness in interaction with the field offices.

96. Efforts relating to the new organizational structure and changes to fundamental programmes during the current transitional stage should concentrate on serving the essential needs of the developing countries, as well as on the reform process itself.

97. As a new Director-General would shortly be appointed, the Board should have an opportunity to discuss issues in the light of the decisions and viewpoints of the Board and the General Conference. Effective action should then be taken accordingly, within the financial resources to be agreed upon the Board and the General Conference. Further consideration should also be given, at an appropriate time, to reviewing developments and resetting the course as required.

98. **Mr. MANCZYK** (Poland) said that his Government favoured reforming UNIDO rather than dismantling it, in view of the Organization's paramount importance for the industrialization of the developing countries and countries in transition, and the significant role of multilateral cooperation. The declared withdrawal of certain countries and the emerging financial crisis were

matters of serious concern. In that connection, account had been taken of the opinions of many Member States and regional groups during consultations on the problems and future of UNIDO and preparations for the meetings of the Programme and Budget Committee and the General Conference.

99. Poland fully supported the principle of a new formula, limiting the range of UNIDO's activity to urgent problems of real importance to industrial development, and advocated eliminating where possible any duplication of functions and seeking complementarities with other international organizations such as UNDP, UNCTAD, UNEP and OECD.

100. UNIDO's role and usefulness lay in helping to solve the world's industrial and development problems. Reforms should therefore allow its activities to be adjusted to current and predictable needs of a large group of developing countries, particularly in Africa, and of countries in transition; it should also arouse the interest of industrialized countries in assisting industrial and economic development. Poland would therefore support all initiatives aimed at increasing the effectiveness and efficiency of UNIDO and updating its tasks and targets. It therefore approved the rationale of the draft business plan on the future role and functions of UNIDO and supported the concept of regrouping the Organization's activities into two areas, focusing on strengthening industrial capacities and ensuring cleaner and sustainable industrial development. It also supported the discontinuation of some activities, but added emphasis should be placed on the proposed geographical, sectoral and thematic concentration of activities.

101. Poland also supported the proposal to decentralize activities by further strengthening and developing the network of field offices. It therefore proposed that UNIDO should establish a subregional office in Warsaw to cover Central and Eastern European countries, in view of the experience, facilities, achievements and staff of the Investment Promotion Service, which had operated successfully in Poland since 1983.

102. A solution closer to a 10 per cent budget reduction would be preferable to a 20 per cent reduction, bearing in mind that all Member States should be able to benefit from the functioning of UNIDO, and that the expectations and problems of no country should be marginalized. Poland would therefore support any programme and budget proposals aimed at rationalizing the Organization's operational activities, reducing their cost and increasing their effectiveness.

103. The suggested new organizational structure of UNIDO was well adjusted to the proposed substantive and budgetary changes. Changes, some of them undoubtedly drastic, were, however, necessary in order to secure UNIDO's role under the new circumstances. To be successful, the future reform process would therefore have to be positive, properly directed, managed and implemented. Furthermore, the reform should be fully implemented, regardless of the difficulties and cost, for the benefit of the Organization and its Member States. The draft business plan should be the basis for the new stage of reform.

104. Poland had decided to submit a candidate for the post of Director-General of UNIDO as a means of contributing to efforts to strengthen the Organization. The high-level professional position, dynamism and experience of the proposed candidate and his knowledge of the international environment, including UNIDO, would guarantee smooth and exemplary performance. Poland had successfully transformed its own economy and was well placed to share its experience with the developing countries.

105. **Mr. AL-ERYANI** (Observer for Yemen) said that the continued existence of UNIDO, which had a pioneering role to play in the industrial development of the developing countries, and particularly the LDCs, required the full support and cooperation of all Member States in identifying constructive, practical solutions to the problems which had inhibited the Organization's smooth operation.

106. The adverse impact of new global circumstances on the United Nations system generally and on UNIDO in particular called for realistic and objective solutions so that UNIDO would become an effective organization capable of discharging its duties and achieving its targets. The Organization's success would depend to a great extent on its structure, which should be as streamlined and simple as possible.

107. In the course of restructuring, the sensitive issue of job security for staff members needed to be addressed properly, bearing in mind the major impact of job security on performance. The Organization should not concern itself solely with restructuring and reform. Other issues also needed time and attention if positive results were to be achieved. Such results would be achieved, moreover, only through transparency and openness. His delegation would support all constructive efforts to that end.

108. The Secretariat's document on the draft budget lacked clarity and was incomplete. Budget cuts should not have an impact on the role of the Organization and its capacity to assist the least developed countries. If assistance were withdrawn, the role of the Organization would be diminished and its overall performance would be adversely affected.

109. **Mr. IKEDA** (Japan) said that the business plan was a significant result of sincere discussions between Member States. The spirit of cooperation between the developed and developing countries which had prevailed during that exercise had demonstrated the good working relationship between donors and recipients, in contrast to the traditional North-South confrontation and negotiations over wording. That cooperative spirit was a model for the new global partnership to which he had referred at the seventh special session of the Board and should be promoted further in the future phases of reform.

110. In the context of the business plan, it was important to send a strong message from Vienna to the constituencies of donor and recipient countries, announcing UNIDO's rebirth by focusing activities, tightening its budget and streamlining its organizational structure. UNIDO needed to demonstrate to the capitals and taxpayers of Member States that it was revitalized and truly worthy of their support.

111. The draft business plan was the result of compromise and did not reflect all the views of the Japanese Government or satisfy all the expectations of other Member States. Some had argued at the current session that to narrow down activities jeopardized the universal nature of UNIDO, while others had defended certain items in an attempt to ensure that they were not discontinued. However, a thorough reading of the business plan in its entirety would show that the sectoral concentration proposed for agro-based industries did not imply the total exclusion of non-agro-based industries. As far as upstream activities were concerned, including policy advice and institutional capacity-building, a careful reading would indicate that UNIDO service was not restricted to agro-based industries. In the programme of support for environmentally sustainable industrial development, UNIDO operations could cover all subsectors, and the refocusing of its activities could thus be seen to strengthen its function.

112. A number of hurdles still needed to be cleared for the successful implementation of the business plan, and the forthcoming phases might well be as difficult as the phase currently under way. The business plan provided only an outline for the future of UNIDO: the next step was to express that plan in concrete terms and ensure its successful implementation. The forthcoming session of the Programme and Budget Committee would be crucial, as Member States would then have to determine the future of UNIDO in budgetary terms.

113. As part of its stringent national fiscal reform process, the Japanese Government had recently decided to reduce appropriations for official development assistance (ODA) by 10 per cent in the 1998 fiscal year as compared with the current budget, and found it extremely difficult to maintain its current level of contributions, both assessed and voluntary, to any international organization. The situation was even more difficult than at the time of the Board's seventh special session earlier in the year. In Japan, furthermore, harsh criticism was increasingly being directed at inefficient and ineffective international organizations. To defend itself against such criticism, UNIDO would have to become cost-effective and truly worthy of support. Drastic budgetary reductions could undoubtedly be realized within UNIDO.

114. Another aspect to be considered was the situation of Germany, whose continued membership of the Organization was essential for maintaining UNIDO's viability. The consequences of Germany's withdrawal should be borne in mind in formulating the budget.

115. A 10 per cent reduction in the budget ceiling had little meaning as a political message, since it merely reflected the announced withdrawal of the United Kingdom and Australia. Therefore, when considering the extent to which the budget could be reduced without jeopardizing UNIDO's critical mass, various alternatives needed to be examined. He consequently proposed the consideration of a 30 per cent reduction in the budget ceiling for the coming biennium as an option alongside the proposed 20 per cent reduction.

116. On the management issue, it was important that the entire Secretariat should prepare itself for UNIDO's revival based on the business plan. The future Director-General should be someone outside the Organization who had had no link, past or present, with UNIDO. The first criteria should be capability and integrity, so as to inspire the greatest confidence in the leader of the new UNIDO, without regard for such customary practices as geographical rotation. It was important to have a candidate who could be supported by consensus. If necessary the Organization might have to be flexible and extend the deadline for the submission of nominations. His delegation had noted the announcement by the Polish delegation.

117. Given the need for a refreshed mind-set to prepare for the launching of the new UNIDO and breathe new life into it under the leadership of a new Director-General, the UNIDO Secretariat should adopt the United Nations practice that senior management staff offered their resignations on a change of leadership. Only those able to prove their capability and willingness to fulfil the challenging assignment of a revitalized UNIDO should be reposted. Under the present circumstances, any reallocation of senior management should be frozen until the new Director-General was in a position to allocate the staff within the new structure as and he deemed appropriate. The Japanese delegation shared the view on that point expressed by the Indian delegation on behalf of the Asian Group.

118. The importance of the active role of Member States in overseeing the implementation of the business plan could not be overemphasized. Member States should therefore continue to involve themselves in monitoring closely the implementation of the business plan so as to ensure a successful outcome of the reform process.

119. **Mr. CLERISME** (Observer for Haiti) said that his delegation wished to associate itself with the statement made on behalf of GRULAC and to reiterate its support for the plan to save UNIDO. It continued to uphold its nomination for the post of Director-General.

120. The two principal areas defined by the inter-sessional working group, namely, strengthening industrial capacities and clear and sustainable industrial development, had been noted and the proposal to consolidate and improve UNIDO's services to the LDCs was welcome. Member States were to be thanked for their contributions towards financing such services. The interest in the private sector and in the small and medium enterprises of the developing countries, particularly in Africa, was also welcome.

121. In view of the financial difficulties facing UNIDO and Haiti's conviction that those problems could be solved only if all Member States paid their contributions and their arrears, Haiti had paid over 90 per cent of its assessed contributions and had undertaken to pay the outstanding amount in full by the end of the year.

The meeting rose at 6.08 p.m.

Distr.
GENERAL

IDB.17/SR.5
9 July 1997

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 25 June 1997, at 10 a.m.

President: Mr. I. POSTA (Hungary)

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V.97 25361 (E) (a:1997pmo:5)

Distr.: 15 July 1997

The meeting was called to order at 10.40 a.m.

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO (*continued*) (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

FIELD REPRESENTATION (*continued*) (IDB.17/9)

1. **Mr. HOBEICA** (Lebanon) said he felt optimistic about UNIDO's future as it had already made great progress towards reforming its organization and structure. Constructive dialogue appeared to have convinced both the developed and the developing countries that UNIDO was still an essential and useful organization and that work on modernizing it should be continued to enable it to fulfil its mandate of promoting the development of the developing countries. He believed that emphasis should be laid on three main sectors: the promotion of foreign investment in the developing countries, small- and medium-scale agro-industry and the training of manpower. The globalization of the economy meant that the weaker countries must be helped to avoid becoming victims of the stronger countries. It seemed inevitable that the budget would be cut, but care should be taken to ensure that sound programmes were continued. A 10 per cent reduction would appear to be reasonable but it would not perhaps be wise to undertake a larger reduction.

2. The new structure should include two consolidated departments, the first dealing with the budget, the staff and the regional offices and the second with technical assistance, including investment promotion and the promotion of sustainable industrial development. The creation of a post of deputy director-general would probably be of assistance. Decentralization was recognized as an important factor in sound administration today and was taking place in many international organizations. It led to field activities being more efficient as it enabled the real needs of beneficiary countries to be seen more clearly. Field representation should therefore be strengthened as much as possible.

3. His Government was seeking to promote foreign investment in industry and to strengthen national industry through banking and fiscal facilities and through training. It had recently set up a national agency to promote investment in Lebanon, laying stress on investment in industry. Beirut was the site of a UNIDO office and his country hoped that it would become the site of a regional office. Beirut was well located and had the facilities required. In addition, over 20 organizations, including UNDP, were represented there and coordination would therefore be a simple matter. The Government had erected a special building in the centre of Beirut which would be the centre for the United Nations and other international organizations in the city, and a UNIDO regional office could be accommodated there. His country hoped its offer would be taken into account when the question of the location of regional offices was taken up.

4. The working groups and other consultation groups had made praiseworthy efforts to find solutions to current difficulties. He felt sure that those efforts would be crowned with success and would ensure the survival of UNIDO as an independent specialized agency playing an essential role in promoting industrial development.

5. **Ms. TOLLE** (Kenya) said that the draft business plan under discussion (IDB.17/25, annex) contained some very useful elements and would form a sound basis for further discussion of UNIDO's future. As presented, however, it entailed painful sacrifices for developing countries. It was the collective responsibility of the international community to prepare the developing countries to face the enormous challenges before them. UNIDO could not do everything but, by promoting industrial development, it could contribute usefully to tackling the problems of global warming, desertification, pollution, and immigration and other problems having cross-border and intercontinental implications. The difficulties confronting the Organization made it imperative that steps should be taken to reorient its activities and streamline its management. The efforts already made must be continued but the measures taken should not be such as to make it impossible for the Organization to discharge its mandate.

6. She did not agree with the suggestions in the draft business plan regarding industrial human resource development and privatization. It was important that developing countries should be equipped with skills that would enhance the sound management of human and natural resources. That would serve to reduce excessive dependence and, at the same time, lessen the financial burden for the developed countries. Market forces would prevail over past policies during the next millennium and the private sector would be called on to play a leading role. The public sector was expected to retreat, and yet it was supposed to continue to shoulder the social responsibilities of the past. Both the private sector and the public sector had a part to play and, if serious mistakes were to be avoided in the privatization process, UNIDO must continue to assist the developing countries, especially the least developed countries (LDCs), sub-Saharan Africa and countries in transition.

7. UNIDO had made significant contributions to development and deserved an adequate and reliable flow of financial resources. Although some countries faced considerable financial difficulties, piecemeal payment of contributions could only aggravate UNIDO's situation.

8. The UNIDO Liaison Offices in Geneva and New York had served as very useful contact points for several missions, and it was to be hoped that the arrangements would be maintained until countries such as her own were able to have full resident offices in Vienna. Moreover, it would be logical for UNIDO to have an office in Nairobi as well.

9. UNIDO's financial problems continued. In discussing the budget, the Board should be guided by the wish to build a stronger Organization, and it might usefully seek the views of the Secretariat on the reform process. In document IDB.17/CRP.7, the Secretariat had put forward preliminary budget estimates for 1998-1999 based on two scenarios; of the two options, the 10 per cent budget reduction appeared to be the more realistic.

10. She strongly supported the policy of decentralization to the field and called for consultations with Member States to begin so that the location of regional offices might be determined rapidly. The existing UNIDO Country Director (UCD) offices should be maintained where practical under the envisaged arrangement whereby host countries would be expected to make significant contributions to their operating costs.

11. **Ms. KING-AKERELE** (United Nations Development Programme) said that UNIDO was clearly at a critical juncture, grappling with a greatly changed environment for technical cooperation, an environment in which aid was constantly growing scarcer with emphasis being placed on trade and investment. She had noted the considerable cooperative effort that had gone into drawing up the draft business plan.

12. In the area of economic and technical cooperation among developing countries (ECDC/TCDC), UNDP had found that South-South transfers of technology were often the most appropriate for Africa's needs because they involved inputs from other, similar regions. For example, under a major UNDP cooperation activity—a TCDC exercise for matching capacities and needs—countries offered expertise they had developed in particular fields to other countries needing to acquire it. UNDP had organized five such exercises in Africa, most recently in Nigeria, Uganda and Zimbabwe. They had led to the adoption of some 180 projects for implementation under TCDC. There was clearly scope for collaboration between UNDP and UNIDO in that area.

13. Increasing opportunities also existed for collaboration between developing countries and countries in transition, for example in the fields of rehabilitation and reconstruction in post-conflict situations. She referred in that connection to reconstruction efforts in Central Africa and in Bosnia and Herzegovina. In the case of Rwanda, an urgent request had been made for a UNIDO high-level mission in the area of small-scale industry. The request had been made in early May and a response was awaited.

14. The areas identified for the concentration of activities were all of particular interest to UNDP in view of its interest in sustainable human development and poverty alleviation.

15. Regarding the delegation of authority and strengthened field representation, she had been pleased to note that the draft business plan called for further delegation of authority. With regard to field representation in the context of a unified United Nations representation, she drew attention to UNDP's subregional resource facilities (SURFs) which would be made operational shortly. They were designed to provide technical backstopping for UNDP's country offices, including backstopping in strategic policy and programme formulation, implementation and monitoring. Several such facilities would be set up in the various regions, with varying thematic combinations.

16. UNIDO might wish to explore the UNDP approaches in the context of unified United Nations representation. That might, she believed, be in line with the suggestion that UNIDO improve functional and programme coordination between its field representation and that of other agencies.

17. **Mr. DE MARIA Y CAMPOS** (Director-General) thanked all the delegations that had emphasized their commitment to UNIDO. He had especially welcomed their expressed willingness to strengthen and continue the work of UNIDO in the future. Recent years had certainly not been easy for the Director-General or the Organization, and the guidance offered by Member States had been and always would be of great value to the Secretariat in general. He had welcomed the suggestion made by several speakers to the effect that all concerned in the reform process should be informed of the views of the Secretariat. He believed that that would be of importance both for Member States and the Secretariat in their efforts to move forward. It was his duty as Director-General to say what could not be done and what could be done in the light of experience gained, taking into account Member States' wishes whenever possible.

18. The draft business plan illustrated Member States' commitment to UNIDO and it was for the Board now to see how it could serve the interests of UNIDO, against the background of the will to reach compromise solutions on the part of developed and developing countries alike. There seemed to be a general wish for a clearer focus in programme activities, although there were differences of opinion on which sectors should be chosen. Many representatives had spoken of the need to maintain UNIDO's universality. Some of the points in the text needed clarification so that there could be no room for misunderstanding.

19. No one would deny that human resource development was of particular importance for development. Technological advances raised constant challenges for both the developed and the developing countries, calling for a strong human resource development programme. It had been proposed that the programme be eliminated. He personally believed that the function must at least be maintained, possibly through the setting up of a focal point at a policy level for human resource development activities. He hoped that the human resource development programme would be retained; it seemed in line with the wishes of Member States, some of which wished to make specific contributions to it.

20. With regard to organizational structures, there seemed to be a clear preference for an organization with three divisions or three managing directors, half as many as at present. It was for the Board to decide, but he believed that it would be extremely difficult in terms of management for UNIDO to work effectively if such a structural change were made. Top management was required to travel a great deal—Member States asked it to—and it would be extremely difficult to undertake missions to the field and run the Organization with only three managing directors.

21. As regards the budget, he regretted that it had been impossible due to lack of time to provide all the details desired; revised documents would be made available as rapidly as possible. Turning more specifically to the two scenarios submitted, he noted that some Board members would wish the reduction in the budget to be less than 10 per cent while Japan had proposed 30 per cent. Careful studies by the Secretariat had shown that a 10.75 per cent reduction could be made with streamlining and budgetary cuts; it would involve great sacrifices and would lead to a reduction in UNIDO's activities. No organization could do more with fewer funds. The 20 per cent scenario would involve significant cuts being made in substantive programmes. Cuts across the board could not be made in practice meaning that cuts would have to be made in specific programmes. A 20 per cent budget cut would have very serious consequences. As for the 30 per cent cut proposed by Japan, he had already given his considered opinion that any budget reduction exceeding 20 per cent would jeopardize the relevance of UNIDO. In that context, he referred to paragraph 61 of document IDB/S.7/2 on the future of UNIDO.

22. On the question of field representation, he said that it would be very difficult to keep the 20 subregional offices approved the previous year if 10 per cent, 20 per cent or even 30 per cent cuts were imposed. With regard to available resources, in the 1996-1997 budget seven Country Director posts were financed under the regular budget and 10 under the operational budget. UNDP had financed over 40 per cent of Country Director posts, and those resources would not be available the following year. His most optimistic estimate was that a 10 per cent cut would allow for a maximum of 17 offices and a 20 per cent cut for a maximum of 14, depending on what resources were finally made available. In any case, early progress must be made on the question of field representation. He welcomed various countries' offers to support the establishment of the regional offices. Pilot programmes had already been undertaken and, in consultation with the regional groups, consideration was now being given to the most suitable locations for those offices.

23. Two points raised at the previous day's meetings had given him cause for concern. In his statement at the fourth meeting on behalf of the Asian Group, the representative of India had asked that all recruitment, promotions and separations should stop. He did not see that the future organization stood to gain anything from such an approach. Even the Staff Council, fighting to retain jobs, recognized the need for recruitment in certain highly technical fields. Furthermore, UNIDO was actually faced with the diametrically opposite staffing problem: valuable staff members were already leaving the Organization, having been offered more favourable contracts elsewhere; and posts were proving difficult to fill as a result of news of budget cuts and rumours that the Organization was about to close down.

24. In response to the query from the representative of Turkey, he said that since the Board's sixteenth session four persons had been recruited externally at Professional level, all of them for specialized work. Two managing directors and one other staff member had also arrived since that date; but in all three cases the relevant commitments had already been agreed earlier. Some consultants had also been recruited in connection with projects, as was inevitable in a large organization. Nevertheless, it could be seen that recent recruitment was very limited. As for ongoing recruitment, 12 posts were currently advertised but had not been filled. Furthermore, some projects under the Montreal Protocol would have to be discontinued unless food, refrigeration and civil engineering specialists were recruited.

25. As for senior management, two posts, in the areas of external relations and of country programmes and funds mobilization, were pending. The latter post involved a decision on a short-list of African candidates. Africa was not represented at the highest level: the question was, however, whether the Organization could afford to recruit another managing director externally in the prevailing climate, or whether the problem could be resolved through recourse to some other mechanism.

26. As for separations, there had been many separations as a result of decisions taken by Member States, and they would continue in the future. Decisions regarding separations were among the most painful tasks that fell to a Director-General. He could give assurances that no arbitrary decisions would be taken in that regard; but, as in the past, he would not flinch from taking decisions to separate staff members where corruption, poor performance or improper conduct were involved. That was one aspect of the mandate conferred on him and, in the best interests of the Organization, he would need the full support of Member States in that regard.

27. **Mr. CLERISME** (Observer for Haiti) said that the fact that there were candidates for the post of Director-General from the transitional countries supported by developed countries, and also candidates from developing countries, was a welcome sign that all tendencies within the Organization took an interest in its future.

28. With regard to the draft business plan, while accepting that the concept of a business plan might help reduce wastage, his delegation feared that too much stress on such an approach might be detrimental to the Organization's ultimate objectives, namely the industrial development of developing countries and help for countries in transition. It supported the field representation project as an approach designed to focus activities on a regional and subregional basis, without confining them to the agro-industrial sector. While supporting the plans to reform and revitalize UNIDO, his delegation believed that the new Director-General must be a candidate familiar with the industrial sector, with the problems of the developing countries, and with those of the Organization itself, who could thus be an effective force from the moment he took office. The example of Mr. Kofi Annan, Secretary-General of the United Nations, showed the wisdom of such an approach. Geographical considerations must not be the only criterion for selection of a new Director-General: the task was to elect, not a region nor a State, but a person capable of saving UNIDO in the difficult current circumstances. His delegation thus proposed that the Board should prepare a profile of the post before electing a candidate, and that candidates should be invited to submit their programme and their vision of UNIDO before the elections.

29. **Mr. ABOUZEID** (Egypt) thanked the Director-General for his full and frank statement on the field representation programme. Reiterating his country's support for the programme, he said that Egypt would be happy to host a regional office and was ready to engage in consultation with neighbouring Arab States on that subject.

30. **Mr. CELSO DE OURO-PRETO** (Brazil), speaking on behalf of the Group of 77, said that practically all the delegations in the Group had supported the draft business plan and that, most unusually, a debate on reform had taken place without any real confrontation. However, he noted with concern the proposals by some delegations for budgetary reductions that the Group of 77 continued to regard as excessive.

31. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, noted that the draft business plan commanded general support. The specific question of whether the figure for the reduction should be 10 per cent, 20 per cent or 30 per cent was best left until the budget prepared by the Secretariat was considered by the Programme and Budget Committee (PBC) in September 1997.

32. **Mr. BARRIOS SUVELZA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that his Group was deeply concerned to note that, when a consensus seemed at last to have been reached that budgetary cuts should fall within a 10 per cent to 20 per cent range, new proposals were now being made for a 30 per cent scenario, despite the fact that reductions of above 20 per cent had been shown to be unviable and that, since the withdrawal of the United States of America from the Organization, it had been faced with cuts of almost 50 per cent. GRULAC also had confidence in the Director-General's competence to take decisions on staffing matters, and believed that it would go beyond the bounds of legality to tie his hands in this respect during the period of his mandate.

33. **The PRESIDENT**, summing up the general debate on agenda items 6 and 16, said that there seemed to be general support for the business plan prepared by the intersessional working group, with no participant objecting to the plan as such. In particular, there had been unanimous support for the focusing of activities in two clusters: strengthening of industrial capacities, and cleaner and sustainable industrial development. An overwhelming majority of speakers had expressed their readiness, as an exceptional measure and in view of the economic and financial circumstances, to accept the

proposed list of discontinued activities, although delegations had emphasized that discontinuation of activities was generally undesirable and would have a negative impact on the work of the Organization.

34. There had been unanimous support for the geographical, sectoral and thematic concentration proposed in the business plan. Members of the Board seemed to agree that the future budget of the Organization should be prepared on a programmatic basis. The proposed new organizational structure, with two substantive divisions and a third component dealing with administration and support services, and with the head of one of the three components designated to act as deputy to the Director-General, had received wide support. There had also been support for a decentralized and strengthened network of field representation ensuring better coordination with Headquarters, with other agencies, and among the offices themselves.

35. On the budget, while there had been an understanding of the need to take into account pressing budgetary constraints when determining the budget frame of the Organization, it had been stressed that budgetary cuts were not an aim of the exercise. At the same time, reducing the budget had a certain importance in that it demonstrated Member States' determination to economize on resources and utilize them better, and proved that the Organization was operating more efficiently. That was an important condition for securing the political and financial support of the donor community for the future.

36. Differing views had been expressed on the indicative figure of the budget ceiling. Some countries had emphasized their willingness to request the Secretariat to prepare a budget proposal based on a 10 per cent budgetary reduction; others had proposed 20 per cent cuts; and one delegation had strongly argued for a 30 per cent cut. The common understanding had been that the final decision on the programme and budget should be based on a comparison in substance of the various budget proposals. In that process, special attention should be paid to determining at what level of cuts the Organization would lose the critical mass of its expertise.

37. Some additional issues had been raised, for further consideration and possible inclusion in the business plan. They included: the possibility of redeploying financial resources to other objectives; the possibility of further savings in the field of administration; intensification of the dialogue with the Secretariat during the implementation of the business plan; and elaboration of a scheme to determine performance indicators with which to measure progress in implementation of the plan. Some of those proposals had met with considerable support.

38. As the support shown for the business plan as a whole was the result of delicate compromises, he wished not to reopen the general debate on the document as a whole. Instead, he proposed initiating a short continuation of that debate in plenary, focusing, item by item, on three concrete issues on which there had been differing opinions, with a view to providing clear guidance for the informal consultation proceedings. Those three issues were: the budget ceiling and the differing views concerning the budget proposals requested from the Secretariat; the mechanism for intensifying the dialogue with the Secretariat; and the proposal to establish performance indicators with which to measure progress in implementation of the plan.

39. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, urged that, on the basis of the business plan and the points of agreement concerning UNIDO's future role, the Secretariat should prepare the budget, which could then be considered in detail by the PBC and at the special session of the Board following the PBC session.

40. **Mr. BOURITA** (Morocco) agreed. He said that the proposal to work on the basis of scenarios had been adopted solely with a view to achieving consensus. It should now be possible to put together a budget on the basis of those elements of the business plan on which there was general agreement.

41. **The PRESIDENT** asked whether the Board wished to retain the business plan in its present form or to redraft it so as to take account of the proposed 30 per cent budget reduction scenario. He asked for members' views on that specific issue.

42. **Mr. IKEDA** (Japan) said that he had proposed a 30 per cent budget reduction as one of the three scenarios because of concerns expressed by some Member States; in his view it was important to be realistic and flexible in addressing major issues in a spirit of frankness, and that would ultimately assist the Organization. If the Secretariat found that it was technically impossible to add a third scenario, his advice was that the Board, following informal consultations, should prepare three scenarios, on the basis of which the PBC should make a final decision at its September session. It was not essential that the draft business plan be amended at the present time.

43. **Mr. BOURITA** (Morocco) thought that the Secretariat should be asked whether it would be technically possible to prepare three detailed scenarios in the time available.

44. **Mr. DE MARIA Y CAMPOS** (Director-General) said that it would be possible from the technical point of

view but it would take extra time. Establishing each scenario implied a tremendous effort in terms of considering the structures that could be maintained. The 20 per cent scenario would already be difficult to combine with the proposed business plan. The 30 per cent scenario would be extremely difficult to produce under the proposed business plan and entire areas of activity would have to be eliminated. If the Board instructed him to submit such a scenario, it would be done, but all the implications would have to be presented.

45. **Mr. FÖRSTER** (Netherlands) said it was important that the Board at its current session should agree on the programme and activities of the future UNIDO; decisions on the budget were for later. He would have preferred to have an agreed overall programme first and then various scenarios developed on the basis of a programmatic approach. What had happened had been the reverse, and scenarios had bred other scenarios. The various options proposed by Member States now had to be examined, and if the Secretariat needed time to prepare programmatic budgets based on the scenarios, the PBC could give the matter initial consideration at its September session and then hold another session later. In any event, it would be essential to draw up a sound budget before the next session of the General Conference.

46. **Mr. CELSO DE OURO-PRETO** (Brazil) said he thought that there had been agreement on the draft business plan; if the 30 per cent scenario were accepted the business plan would have to be completely changed and would lose its value. In effect, nothing would have been decided at the present session and the Board would have to start again from the beginning and convene another working group.

47. **The PRESIDENT** said that the draft business plan had not yet been approved by the Board. The Board could give a clear mandate to the informal consultations for the redrafting of the relevant paragraph of the draft business plan to include a request for the Secretariat to prepare a third budget reduction scenario.

48. **Mr. BREITER** (Switzerland) said that his delegation had always favoured the establishment of a budget on the basis of the objectives that were to be achieved. That approach had not been adopted, and it had decided that a reference to 10 per cent and 20 per cent budget reduction scenarios should be introduced into the draft business plan. It should be left for the PBC to consider the details.

49. **Mr. KHALIL** (Tunisia) said it was his understanding that, apart from the paragraph referring to the possible budget reductions of 10 and 20 per cent, the draft business plan was agreed.

50. **The PRESIDENT** said that the draft business plan would be adopted only at the end of the present session, after possible amendment by the Board following the informal consultations.

51. **Mr. BARRIOS SUVELZA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group, supporting the statement made by the representative of Brazil, said it would be illogical to undertake a budget exercise based on a 30 per cent reduction if such a reduction might mean that the Organization was going to have to reduce even more activities than those agreed upon in the intersessional working group. There was nothing to stop the Board requesting 40 per cent or 50 per cent budget reduction scenarios, but when such an exercise was undertaken the work that had been done in terms of focusing UNIDO's activities was invalidated. For purely practical reasons, the Board should adhere to the consensus reached and consider budget reductions in the range of 10 to 20 per cent. Some GRULAC countries assumed that the topic of field representation would also be discussed along with the budget scenarios.

52. **Ms. LAJOUS VARGAS** (Mexico) noted that, although the Director-General had said that drawing up a 30 per cent scenario was feasible, he had also indicated that such a budget reduction would mean that the proposed business plan could not be implemented. The Board should choose between approving the draft business plan or considering a 30 per cent budget reduction as an alternative.

53. **Mr. SANUSI** (Nigeria) observed that the President, in his summary, had been silent on the issue of the industrial human resource development programme, which had been strongly supported, *inter alia*, by the Conference of African Ministers of Industry at its recent meeting.

54. **Mr. PALACIOS CEVALLOS** (Ecuador) agreed with the concerns expressed by the representatives of Brazil and Bolivia; no one was interested in a budget scenario that would prevent the Organization operating at all. Consideration should be given to the various alternatives, as well as to the question of field representation.

55. **Ms. KLEIN BALLESTEROS** (Colombia) said that the view of most Member States was that UNIDO's budget should not be reduced by more than 10 per cent. However, the intersessional working group had agreed to envisage a budget reduction scenario of 20 per cent. It would now be more profitable to request the Secretariat to prepare a budget on the basis of a scenario that took account of reductions resulting from withdrawals announced by certain Member States. The Organization faced possible withdrawals by the United Kingdom,

Australia and Germany, and a possible reduction in its level of voluntary contributions by Japan.

56. **Mr. HALIM MOHAMED** (Sudan) supported the view that the question of budget reductions should be dealt with by the PBC within the limits of the 10 and 20 per cent indicative levels. All the studies carried out so far had been on the basis of those figures and, taking into accout the indication by the Director-General that a budget reduction greater than 20 per cent would be very difficult to implement, the final decision should be taken by the PBC on the basis of the existing two scenarios.

57. **Mr. ABOUZEID** (Egypt) said that the programmes and activities which the Board agreed should continue in the future UNIDO had to be reflected in financial terms. A 30 per cent reduction in UNIDO's budget would mean that there would be a serious risk of the Organization having to close altogether.

58. **Mr. IKEDA** (Japan) said that the Board and the PBC had to decide at what level of budget reduction the Organization's critical mass was lost. He did not agree with those who argued that 30 per cent was too high and 10 per cent was acceptable. Board members simply did not have the data yet upon which they could make such judgements, and that was why he was making a serious proposal that the Secretariat prepare a third scenario. The Director-General had said that a 30 per cent budget reduction would mean that some fundamental programmes would have to be cut, but which programmes? So far no substantiated figures or programmes had been presented by the Secretariat. The Director-General had said that a 20 per cent budget reduction would mean cutting 14 regional offices; how many regional offices would have to go if the budget reduction were 30 per cent?

59. **Mr. ZAIDE** (Philippines) said that if the Secretariat presented a 30 per cent scenario it might even help Board members to see the light and to realize that maybe certain budget reductions were possible and others were not.

60. **Mr. DE MARIA Y CAMPOS** (Director-General) said that scenarios for budget reductions of 10 and 20 per cent could certainly be produced by the beginning of August 1997, but a third scenario would require extra work and there were not many staff members available to do it. Nevertheless, if Member States requested it, it would be done. With the 10 and 20 per cent scenarios it was possible to finance the activities mentioned in the draft business plan, but if there were across-the-board reductions it might well not prove worth while to keep some activities going. Beyond 20 per cent, the problem became very serious and, as the representative of Japan had stated, consideration would perhaps have to be given to the wholesale elimination of certain activities, such as investment promotion or all activities in support of sustainable development or field representation. Options could certainly be presented within the various scenarios, but Member States would have to face the reality that big cuts in programmes would have to be made.

61. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) said that the substantive part of the draft business plan—the activities to be continued—seemed to be agreed and the discussion thereon should not be reopened. What was under discussion was the non-substantive part dealing with budget and structure. If the Board was able to agree on the content of UNIDO's future activities, the proposal made by the representative of Japan could be understood as a proposal for an examination of how they could be implemented under three different budget reduction scenarios. Acceptance of the budget reduction scenarios would then depend on their compatibility with the substantive part of the draft business plan upon which agreement had been reached.

62. **Mr. IKEDA** (Japan) said that his delegation had no objection to the first part of the draft business plan and UNIDO should pursue it. However, the Secretariat should be very honest and serious in preparing its scenarios and should not, for example, present one which dropped the environmental element altogether. He expected the Secretariat to make strenuous efforts to cut and streamline its administration and other activities.

63. **The PRESIDENT** asked whether that meant that the 30 per cent scenario should be based on the assumption that the various fields of activity which had been outlined as activities to be continued by the future UNIDO would be reduced proportionately and not in a way that resulted in the elimination of entire fields of activity. Was the aim to see whether it was feasible to undertake the 30 per cent cuts proportionately without losing the critical mass of the Secretariat staff?

64. **Mr. IKEDA** (Japan) said that that was the case, but the cuts did not have to be strictly proportional. The Secretariat might wish to streamline certain activities, such as the holding of conferences, more than others.

65. **Mr. PUCCIO HUIDOBRO** (Observer for Chile) said that a possibility would be to produce 10 different scenarios ranging from a 10 per cent reduction in the budget to a 100 per cent reduction. That would compel delegations to ask themselves whether they had been sent by their Governments to decide how to cut UNIDO's budget as a goal in itself or to look at the budgetary problems from the perspective of ensuring the greatest efficiency in meeting the objectives with which Member States had entrusted UNIDO.

66. **Mr. DE MARIO Y CAMPOS** (Director-General) said that the Secretariat intended to make very serious proposals, and under each scenario would endeavour to maintain what activities it could. However, there were some activities which could not simply be cut in half. On the environment, for example, it would not be possible to decide to respond to some parts of the Montreal Protocol and not to others.

The meeting rose at 1 p.m.

Distr.
GENERAL

IDB.17/SR.6
10 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 25 June 1997, at 3 p.m.

President: Mr. I. POSTA (Hungary)

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V.97 25396 (E) (a.1997pmo.5)

Distr.: 15 July 1997

The meeting was called to order at 3.45 p.m.

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO (*continued*) (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

FIELD REPRESENTATION (*continued*) (IDB.17/9)

1. **The PRESIDENT** reminded the Board that the Secretariat had been requested to prepare two detailed budget proposal scenarios on the basis of 20 and 10 per cent reductions, in accordance with the draft business plan (IDB.17/25, annex) for purposes of the proposed 1998-1999 programme and budgets. Those scenarios would be examined in depth at the next session of the Programme and Budget Committee (PBC) in September 1997. A third proposal, for the preparation of a 30 per cent budget reduction scenario, had been put to the Board at the previous meeting.

2. **Mr. TIWARI** (India) said that, while he recognized the right of the representative of Japan, as a major donor country, to request that a scenario be elaborated on the basis of a 30 per cent budget reduction, the question of viability had to be considered. While it might be technically feasible for UNIDO to discharge its mandates with such limited financial resources, the question arose whether the Member States' objective would be attained if the Organization were barely viable, with the result that after one year, for example, it might have met only 10 per cent of the felt needs of the developing countries.

3. UNIDO's main objective of providing services where it had a comparative advantage should not be overlooked. It was doubtful what would be achieved if a viable, self-supporting structure with the required critical mass were established and funds were then withheld. It was surely not the Japanese delegation's intention to leave UNIDO in such a situation. The purpose of the exercise was not to pare the Organization back to the bare minimum but to eliminate what was unnecessary.

4. He believed that the sound judgement of the donor States could be relied upon to prevail. It was in their interests that the developing countries should be able to repay their debts and to expand their trade with the developed world.

5. **The PRESIDENT** said that the finalization of the draft business plan would be entrusted to the informal consultations group for the preparation of a draft decision to be submitted to the plenary for adoption. He would request the representative of Denmark to replace the representative of Sudan as chairman of the informal consultations at the current session.

6. **Mr. MANCZYK** (Poland) said that budgetary cuts reflecting the reduced membership of UNIDO were justified, but additional reductions of the budget would have a negative impact on the reform process and on UNIDO's future, seriously weakening the Organization. To consolidate UNIDO's position, Poland would prefer the reduction to be closer to 10 than to 20 per cent, but certainly not above 20 per cent, in conformity with the blueprint indicated in the draft business plan, and assuming substantive and structural rationalization and considerable staff reductions.

7. **Mr. KHALIL** (Tunisia) said that the African Group regarded the two scenarios mentioned in the draft business plan as merely indicative. His delegation had requested the Secretariat to prepare budget proposals on the basis of the new programmes and restructuring measures as elaborated in the business plan. The Japanese delegation had now requested the preparation of budget proposals on the basis of a third scenario. It should be possible for the Secretariat to give consideration to all three scenarios and report to the PBC at its next session, whereupon discussions could be held and a decision taken as to the percentage reduction to be applied. The Board could therefore now proceed to the consideration of the next agenda item.

8. **The PRESIDENT** said that, although the draft business plan envisaged the concentration of UNIDO's future activities, the discontinuation of some activities, and the streamlining of organizational structures, the Secretariat would not be able to present its budget proposals without the indication of a budgetary ceiling. He suggested that the Board might wish proposals to be prepared on the basis of the three budget reduction scenarios under discussion.

9. **Mr. BARRIOS SUVELZA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Japanese delegation's concern was understandable and its position rational. As a possible consensus solution, he suggested that, while the 10 and 20 per cent reduction proposals could be maintained in the wording of the business plan, the Secretariat might also prepare a 30 per cent budget reduction scenario, but as a separate input to be submitted to the PBC for its guidance at its forthcoming session, even though, in GRULAC's view, it would demonstrate the non-viability of UNIDO if implemented. He hoped

that, independently of the elaboration of the 30 per cent scenario, the Secretariat would, if appropriate, also be able to show whether the Organization could function with a budgetary cut of more than 20 per cent.

10. **Mr. IKEDA** (Japan) said that he was appreciative of GRULAC's understanding of his proposal. As a precondition of his agreement to the suggestion made by the Observer for Bolivia, he would like confirmation that the Secretariat would prepare the 30 per cent budget reduction scenario as a separate document for the information of the PBC, that the reference to the 20 per cent and 10 per cent reductions of the budget would remain unchanged in the business plan, and that all three scenarios would be treated on an equal footing at the forthcoming PBC session.

11. **Mr. BARRIOS SUVELZA** (Observer for Bolivia) said that it was understood by GRULAC that the 30 per cent scenario would be treated on the same footing as the other scenarios.

12. **Mr. KHALIL** (Tunisia), referring to the paragraph between square brackets in the draft business plan, said that the majority view emerging in the informal consultations was that the mechanism for regular dialogue between Member States and the Secretariat on the reform of UNIDO should continue to be provided by the intersessional working group, under the chairmanship of the President of the Board. He therefore suggested that no advisory body be set up for that purpose.

13. **Mr. FÖRSTER** (Netherlands) agreed. The creation of a new body would run counter to UNIDO's efforts to trim down its structure. It was logical that the President should continue to chair the working group, in a monitoring function, for the remainder of the reform process. The paragraph dealing with the process rather than the outcome of the reform should be deleted from the business plan, which dealt specifically with the future functions of UNIDO.

14. **Mr. BREITER** (Switzerland) said that the proposed compromise seemed to be reasonable and addressed all concerns; he endorsed the proposal that the President should continue to act as chairman of the intersessional working group.

15. **Mr. DAHMANI** (Algeria) said that a mechanism for coordination between Member States and the Secretariat would be useful during the transitional phase, particularly where transparency was lacking. A group such as the Friends of the Chair might consider the idea but the group might usefully reconsider its composition, and the work that would be required restructuring UNIDO and assume an intermediary role on a fairly permanent and flexible basis. The Algerian delegation fully endorsed the proposal made by Tunisia and supported by the Danish and Swiss delegations.

16. **Mr. TIWARI** (India) concurred with the delegations of Tunisia and Algeria.

17. **Ms. OK** (Turkey) said that her delegation agreed that the work should be done by the informal intersessional group under the guidance of the President, instead of by the Enlarged Bureau. The exact wording of the agreement should be worked out in the informal consultations group.

18. **Mr. BENMOUSSA** (Morocco) agreed with the representative of the Netherlands that the paragraph in question should be deleted from the business plan.

19. **The PRESIDENT** said that there appeared to be unanimous agreement on the need for a mechanism for continuing the dialogue between the Member States and the Secretariat. The actual wording of the relevant agreement would be the responsibility of the drafting group with the informal consultations.

20. The business plan, which would be submitted to the plenary at the end of the session, would be accompanied by a draft resolution which might also contain some reference to the follow-up activities of the intersessional working group.

21. He expressed his gratitude to the Board for its confidence in him in proposing his continued chairmanship of the intersessional working group and hoped that his authorities would give the necessary approval.

22. **Mr. DE MARIA Y CAMPOS** (Director-General) drew the Board's attention to the need to take into account the cost of the proposed exercise, since interpretation would have to be provided.

23. **The PRESIDENT** confirmed that the informal consultations group would be asked to pay special attention to the question of cost in formulating the draft resolution.

24. The last question for consideration was the proposal by Switzerland to establish an evaluation scheme using performance or output indicators to monitor the implementation of the business plan.

25. **Mr. BREITER** (Switzerland) said that indicators used within UNIDO had more to do with input and activities, particularly financial, and less to do with output and results. A more objective performance measurement seemed to be needed and would improve organizational

performance and enhance transparency. The Swiss delegation was prepared to participate in the drafting group and if necessary to submit a draft text.

26. Performance-related work was currently being undertaken in the Secretariat. A brief account of progress might be useful.

27. **Mr. DE MARIA Y CAMPOS** (Director-General) said that there were two aspects, of performance monitoring, involving parameters for evaluation of the Organization and a second aspect, which was perhaps what the Swiss delegation had in mind, related to evaluating the reform process itself, a matter to which the Secretariat had already given some thought. He would welcome any transparency that discussion of the Secretariat's ideas with a small group could give.

28. It was important to bear in mind that reform was not the responsibility of the Secretariat alone but of Member States as well. The evaluation criteria to be evolved should therefore be capable of measuring the extent to which Member States met their responsibilities.

29. UNIDO was aware of the need for self-assessment and had already established a system for that purpose. If the Board so wished, the Secretariat could circulate a document on the results so far.

30. **Mr. FÖRSTER** (Netherlands) said that the proposal appeared to be attractive on first examination and might be combined with the proposal by the Tunisian delegation that the President continue to chair the intersessional group.

31. **Mr. BENMOUSSA** (Morocco) said that although his delegation had endorsed the Swiss proposal, it should be clearly understood that the indicators would be related to the reform process itself rather than to the performance of the Organization. There were two types of indicators, however, quantitative and qualitative. The former could be provided quickly by the Secretariat, whereas qualitative indicators were related to matters such as decentralization, transparent management or efficiency gains. If the reform process were to be properly evaluated, the two types of indicators would have to be combined.

32. He agreed that the work should be entrusted to the intersessional working group.

33. **Mr. TIWARI** (India) said that while there was great merit in the Swiss proposal to establish indicators to monitor and evaluate the reform process, it might be unwise for the Board to become involved in personal evaluation, as the performance of a staff member assigned to work in very favourable circumstances would be very different from that of someone working in very unfavourable conditions, and the two could not validly be compared.

34. **Mr. BREITER** (Switzerland) said that if the principle were incorporated into the business plan, the means could be found either through discussions within the working group or the intersessional working group, or with the assistance of experts in the Secretariat, of identifying a limited set of indicators that would make it possible to follow up the reform process in the future. There would thus be a two-stage approach.

35. **The PRESIDENT**, summing up, said that the idea of having indicators to monitor the implementation of the reform process had received wide support, but there had been no support for monitoring personal performance. In view of the general agreement that the matter should be addressed within the intersessional working group, the Secretariat might be requested to submit concrete ideas about possible indicators to one of the group's early sessions. If the Board so wished, the idea could be reflected in the document which would accompany the business plan. If there were no objections, the informal group would be informed accordingly and the question reconsidered in conjunction with the budget as earlier agreed.

36. In response to a point raised by the representative of Japan, he said that subject to the consultations with the Japanese authorities, the Board had agreed that the two percentage reductions already mentioned would remain in the business plan for the time being. The Director-General would be requested to prepare a third scenario and the relevant document would mention that the three proposals could be handled on an equal footing during the PBC meeting.

STATEMENT BY THE ORGANIZATION OF AFRICAN UNITY

37. **MR. MAKHAN** (Assistant Secretary-General, Organization of African Unity) said that Africa was fully conscious of the new global economic environment. Many African countries had embarked on far-reaching political and economic reforms, emphasizing industrialization as a major development sector, but the understanding and support of the international community for the priorities determined by Africa was needed.

38. A number of encouraging developments had taken place; the Abuja Treaty establishing the African Economic Community was already operational and the first session of its Economic and Social Commission had been held at ministerial level. At the inaugural sessions of the Council of Ministers and the Assembly of Heads of State and Government at Harare during OAU meetings, Africa had reaffirmed its commitment to assuming

ownership of its development, while bearing in mind that it would nevertheless require the constant understanding and support of its development partners and of the international community as a whole. The Heads of State and Government had reiterated Africa's common position in respect of its industrialization and of UNIDO itself: UNIDO should continue to receive adequate financial support for its programmes and projects, particularly with regard to Africa's industrial development needs; furthermore, the African continent should be given its adequate role and representation in the management of the future UNIDO.

39. Africa fully supported the reforms required, but reform should not take place at the expense of the effectiveness of the Organization's programme and projects or its efficiency, particularly at a time when Africa required more than ever UNIDO's input in its industrial development programmes. Africa consequently fully supported the decentralization of UNIDO's activities and the strengthening of its field representatives with the required level of expertise.

40. In their Declaration on Africa's Industrialization, the Heads of State and Government had, *inter alia*, reiterated their unflinching support for UNIDO and the Abidjan Declaration of October 1996 establishing the Alliance for Africa's Industrialization. They had also reaffirmed their belief that, without sustainable industrial development, African economies would be condemned to persistent economic crisis, dependence on humanitarian relief, and deepening poverty, despair and political unrest with dire consequences for global peace and stability.

41. Taking note of the findings and recommendations of the mid-term evaluation of the Second Industrial Development Decade for Africa (IDDA2) programme, the Plan of Action of the Alliance for Africa's Industrialization had been adopted in the Harare Declaration as the implementation mechanism for a refocused programme for the Second Industrial Development Decade for Africa. The Declaration had also approved the creation of a Patron Group for Africa's industrialization, consisting of five Heads of State and Government. The OAU therefore requested the international community and its partners in development to strengthen UNIDO and maintain it as a United Nations specialized agency focusing on the promotion of industrial development through international capacity-building, investment, skills enhancement and facilitating partnerships and initiatives to support global industrial cooperation in developing countries and countries in transition.

42. The Heads of State and Government had also given full and careful consideration to the issue of the next Director-General of UNIDO and had unanimously endorsed the candidature of Mrs. Olubanke King-Akerele as Africa's sole candidate for the post. Mrs. King-Akerele had, over the years, acquired vast experience at the national and international levels as well as within Africa. Africa commended its candidate to its development partners.

DEVELOPMENT OF HUMAN RESOURCES FOR INDUSTRY (IDB.17/6)

INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (IDB.17/3)

ENVIRONMENTALLY SUSTAINABLE INDUSTRIAL DEVELOPMENT (IDB.17/8)

INDUSTRIAL INVESTMENT PROMOTION (IDB.17/23, IDB.17/CRP.3)

PRIVATE SECTOR DEVELOPMENT (IDB.17/11)

43. **Mr. PISKOUNOV** (Managing Director, Human Resource, Enterprise and Private Sector Development Division), introducing agenda item 7, said that although the programme was earmarked for discontinuation, the Secretariat had prepared a document which would provide a clear picture of what had been achieved so far, particularly in terms of developing new concepts and the ways in which those concepts and instruments worked in practice.

44. HRD activities should be an integral part of a larger developmental vision encompassing industrial technology, quality, standards and norms, environmental concerns and subsector know-how, within the context of a supportive policy framework and an institutional infrastructure.

45. While globalization and technological advances in the world's industrialized countries threatened to leave developing countries behind, information and communications technology was creating a unique opportunity for those in developing countries to upgrade and obtain the skills necessary to support income-generating activities. In response to those changes, the HRD branch had developed a number of instruments to help Governments and enterprises set priorities and formulate HRD policies and strategies. The Human Resources Diagnosis and Reorientation Map (HRD-ROM), helped Governments at the national and regional levels, and enterprises at the subsector level, to identify priority areas and formulate relevant HRD policies and the Graduate Resources Integration Programme (GRIP) helped quantify the gap between the skill requirements of industry and the skill attributes of graduates from secondary and tertiary institutions.

46. The Division's High Impact Programmes, furthermore, had benefited women entrepreneurs in the manufacturing and food sectors, where new methodologies, tools and techniques provided opportunities for women entrepreneurs in Burkina Faso, Honduras, Mali, the United Republic of Tanzania and many other countries.

47. Those instruments and gender-related activities responded to the growing need that developing countries should take an integrated approach to the development of human capital formation. Zimbabwe, Tanzania, Colombia and others had benefited from the application of those tools in setting priorities and formulating national and enterprise-level HRD policies and strategies.

48. The HRD Branch used information and communication technologies to deliver learning opportunities to Member States. It had established a web site, the Global Learning Opportunities for Business Education cum Industrial Networking (GLOBE-IN), which was accessible through the Internet at any time and from anywhere to ensure mass outreach, it had developed a multimedia-based learning tool using CD-Interactive, as a platform for delivering interactive learning opportunities.

49. Those and other instruments developed by the HRD Branch addressed two critical issues currently evolving in the field of HRD. First, the need to deliver an integrated package of activities to ensure a holistic approach to human capacity formation, second, the need for readily available technology to ensure mass outreach, particularly to remote areas in developing countries. Both issues required close linkage between HRD activities and other technical activities.

50. With the velocity and volume of information flow increasing rapidly, it was important to ensure that developing countries were not left behind. Whereas the industrial revolution had aggravated the gender gap, the technology revolution threatened to create "info-poverty" in developing countries. To ensure that industrial development was attainable for those countries, particularly in rural areas, off-the-shelf technologies had to be re-engineered to service their information and technical needs. The development of strategic subsectors had to take place within an integrated framework of supportive policies and institutions. The development and application of HRD instruments would therefore play a seminal role in promoting the large body of subsector-specific technical know-how that already existed within UNIDO.

51. Further development and application of those instruments to support upstream policy activities of Governments and help satisfy needs at enterprise and institutional level, and to establish HRD priorities and strategies was likely to increase among Member States. The integration of those instruments and the activities activities of the HRD Branch within a wider context of technical assistance for industrial development would therefore be of paramount significance for the success of UNIDO's future technical assistance activities.

52. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division), introducing item 10 on industrial investment promotion, recalled that at its previous session the Board had been able to engage in a constructive dialogue and to offer valuable guidance on the future direction of the Investment Promotion Programme on the basis of the report on investment promotion activities contained in document IDB.16/17. It was hoped to maintain the momentum of that dialogue between Board members and the Secretariat with the assistance of the two documents now before the Board, the first of which (IDB.17/23) focused on the development of the Investment Promotion Service network and the emergence of a second generation of IPS Offices and innovations such as the agreement with NIMTECH in the United Kingdom, while the second (IDB.17/CRP.3) reported on the progress of the programme over the six-month period since the Board's sixteenth session. Together, the two documents gave an overall picture of the current status of the programme.

53. The second document was intended to provide the Board, at the current critical stage in UNIDO's development, with as much information as possible on the impact of the Organization's work in the area of investment promotion and thus enable it to determine future priorities. It also recorded the effects of managerial changes on the Division's activities. As a result of a 25 per cent staff reduction, a flat management structure was now in place, with staff members assuming greater responsibility and accountability for programme management. Investment and technology activities continued to be integrated, and the programme as a whole relied heavily on networking and access to sources of technological and investment information.

54. Thanks to the aforementioned restructuring, the Division was able to offer a re-engineered set of products and services to developing countries, programmes having been redesigned to meet the varying requirements of the different regions. At the same time, a range of innovative activities showed the directions the programme would take in the future and demonstrated the benefits to be derived by clients in both developed and developing countries, and in the public and private sectors. The document explained the rationale behind UNIDO's assistance to developing countries with respect to BOT as an instrument for investment promotion and gave detailed examples of how UNIDO's expertise had assisted specific countries in their industrial infrastructure investment projects. It also described UNIDO's increasingly close cooperation with other international organizations

engaged in investment promotion and reported on client response to the improved quality of UNIDO's investment programmes and its new management style. The increased demand for programmes was reflected in the level of projects approved by May 1997, almost $25 million as against $15 million in the previous year, a trend which was expected to continue, given the number of projects already reviewed by the Screening Committee for Investment Services.

55. The Division's output was not to be gauged, however, solely in terms of technical assistance implementation. Since the Investment and Technology Promotion Division (ITPD) was a promotional division, the ultimate measure was the number of successful investment projects completed. By that measure also, the Division had made solid progress during the reporting period.

56. **Mr. RIGOLA** (Director, Environment and Energy Branch), introducing agenda item 9 on environmentally sustainable industrial development, recalled how, in response to the United Nations Conference on Environment and Development in 1992, UNIDO had reorganized its structure to incorporate the principles of ecologically sustainable industrial development in its operations and to give industrial development a new orientation with a view to long-term benefits, particularly for future generations. Under UNIDO's strategy for sustainable industrial development, the environment ranked equally alongside economic and social factors, all three being incorporated in UNIDO projects in an integrated and balanced manner.

57. UNIDO did not approach environmental matters in isolation, the focus of its endeavours being industry. It was the form in which industry functioned and developed, for instance, through the introduction of improved forms of management and more appropriate technologies, that would determine the extent to which environmental damage could be limited or the environment improved. Better management and more appropriate technologies were the main components of the cleaner industrial production programme aimed at efficient use of raw materials, energy and water and the conservation of non-renewable resources. The further objective of the programme was to reduce or eliminate the production of waste of every kind, especially toxic and hazardous waste, through the introduction of the best treatment technologies offered by the environment industry. It was thus sought to bring industrial processes into line with environmental legislation.

58. Population growth and the development of major urban conglomerations both increased demand for water resources and necessitated an integrated approach to the protection of such sources, their supply, the treatment and recycling of waste water. The importance of the role played by industry in general and by UNIDO in particular in those areas had not been sufficiently appreciated and, together with the United Nations Development Programme (UNDP) and the World Health Organization (WHO), UNIDO was being called upon to take a more active part in meeting needs relating to water management and the conservation of natural resources through recycling, factors of ever increasing importance for the economies of developing countries. Technology transfer in those areas would be extremely important in the years to come, but other dimensions such as environmental policy, public health control, and investment promotion and its funding would also be vital in meeting the growing needs.

59. The United Nations and Bretton Woods institutions had specific functions to fulfil in ensuring the integrated development of water and waste management, a fact confirmed by recent meetings of the Commission on Sustainable Development and at other bilateral meetings with United Nations agencies. A recent initiative proposed a joint approach involving the United Nations Environment Programme (UNEP), WHO and the World Bank, together with UNIDO, to cover industry.

60. The outstanding role played by UNIDO in sustainable development had been recognized in many quarters and had led to proposals for bilateral cooperation with agencies in Germany, the United States, Italy, Canada and other countries. It was planned to expand cooperation on the bilateral and multilateral fronts under the Montreal Protocol programme. Furthermore, UNIDO was engaged in institutional capacity-building in various countries through training seminars and study tours aimed at providing assistance in applying the principles of sustainable development. Such initiatives brought together government representatives and specialists from industrial sectors, the aim being to achieve a fusion of viewpoints and, ultimately, a thoroughly considered and reasoned approach to sustainable development. Some projects in that category had been shared with UNEP, and sustainable development projects in general had been implemented in various African countries, while Colombia and other Latin American countries were seeking similar cooperation. It was only UNIDO's own lack of human resources that prevented it from meeting the demand in that area. A growing number of cooperation requests were also forthcoming from China, where UNIDO's main activities relating to the environment were now being conducted under the Montreal Protocol.

61. In response to the needs of Member States, UNIDO had launched the implementation of Environmental Management Systems through its National Cleaner Production Centre programme and other sector-specific programmes. The centres provided a means of enhancing sustainability while also increasing the capacity of

countries to comply with regulations under the ISO 14000 standards. Eco-labelling, aimed at providing the consumer with information on the environmental friendliness of products, was a special part of that effort but was also seen as a potential barrier to international trade. UNIDO's technical assistance in that area was aimed at ensuring the benefits of such schemes while avoiding their negative effects.

62. Finally, he stressed UNIDO's vital role in the field of sustainable development and its unique capacity, thanks to its competitive edge in the industrial field, to respond simultaneously to the interests of developing and industrialized countries.

63. **Mr. PISKOUNOV** (Human Resource, Enterprise and Private Sector Development Division), introducing agenda item 11 on private sector development, said that the report contained in the document IDB.17/11 described the pioneering work carried out since the sixth session of the General Conference, work which had laid the foundations for UNIDO's endeavours to provide tangible support for the development of the private sector in line with trends throughout the developing regions and countries in transition. It was hoped, through such endeavours, to break down the barriers of ignorance between the public and private sectors, which had for too long stood in the way of the dynamic and innovative industrial development of those regions and countries.

64. The specific achievements of the Division over the past years, as detailed in the report under the heading of "Field operations", were clear. Each individual programme had its own programme manager from the respective branches, all of which deserved commendation for their efforts. A special tribute was due to the Director of the Industrial Policies and Private Sector Development Branch, for his very special efforts, achievements and dedication in the service of UNIDO over many years.

65. The Division's work to date had focused on creating a conceptual framework for private sector development and designing the instruments necessary for its application. Future efforts would be concentrated on activating the new services thus designed. That was not a mechanical process, however, but entailed flexibility, innovation, adjustment to the principles of competitiveness, and a readiness to transfer newly acquired know-how to Member States to help them keep pace with the rapidly changing economic environment.

66. An important element of the Division's work was that of promoting an institutional framework for interactive policy formulation, whereby the public and private sectors could work side by side in framing industrial strategies and policy. In that ar..., UNIDO was playing an important role not only as a neutral catalyst for collaboration between the two sectors, but also as a source of wide-ranging expertise on industrial strategies and policies in different regions and countries at all stages of economic development. Thus, UNIDO had acted as an honest broker in presenting the experience of the "Asian Tigers", in particular, the Republic of Korea, to Latin American countries to help them determine how much of that experience was relevant to their own industrial conditions.

67. From that basic framework, the Division had developed a permanent consultative mechanism in the shape of the International Business Advisory Council (IBAC), working with national business councils at the national level, and now intended to move beyond the consultative phase to the direct provision of technical assistance to the private sector. That was particularly important in regional development, where countries needed to create new comparative advantages rather than exploit existing ones.

68. **Mr. AL-RACHACH** (Saudi Arabia), underlining the need for all Member States to lend UNIDO their full support, said that in identifying priority areas where assistance to developing countries would have maximum impact, the Board could draw on past experience by examining the pattern of requests. On that basis, it was clear that UNIDO had an important role to play in such areas as environmental protection and industrial investment promotion.

69. The recent Group of Eight meeting at Denver and the Earth Summit in New York had both served to alert the international community to the dangers of neglecting environmental safeguards. The case for UNIDO's role in industrial investment promotion was equally clear, namely, to ensure that flows of overseas capital and technology, such as those responsible for the surge in industrialization in certain developing regions, were channelled in a balanced manner and that other developing regions were not excluded from the globalization process.

70. Saudi Arabia had benefited from UNIDO's programme of investment promotion, and an investment promotion unit (IPU) had been established in Riyadh, financed by the Saudi Arabian Government. The unit formed part of UNIDO's global IPS network, promoting the inflow of capital and technology for investment in Saudi Arabia and outward investment flows to projects in other developing countries, and was also a part of UNIDO's growing investment presence in the Gulf region.

71. It was important that the unit, and UNIDO's investment programme as a whole should embrace the full range of industrial collaborative arrangements between

of industrial collaborative arrangements between developed and developing countries, including BOT, an arrangement crucial to the economic development of developing countries. As a first step on the road to industrialization, major manufacturing and industrial infrastructure projects—in many cases BOT operations—were essential. UNIDO provided essential guidance to developing countries, enabling them to cope with the complexity of BOT negotiations.

72. It was clear from the conference room paper on the subject that UNIDO was developing a pool of expertise in that area, to which his Government would most probably have recourse. UNIDO had been successfully associated with BOT negotiations in a number of countries, demonstrating the value of that tool in providing effective assistance. Developing countries would, moreover, derive great benefit from the international recognition currently being given to UNIDO as a source of information on BOT.

73. **Ms. MICHALOPOULOU** (Greece) stressed her delegation's appreciation of the IPS network as an important factor in ensuring effective promotion of international industrial partnerships. UNIDO's investment promotion programme should be primarily directed in future towards accelerating the flow of funding for industrialization in developing countries and economies in transition.

74. Within that programme, UNIDO's task should be to provide strategic advice on methodology, networking and information access, as well as expertise on business needs in donor and recipient countries. In that context, stress should also be laid on UNIDO's contribution to the mobilization of private investment funds for the modernization of public infrastructure and companies, which was of growing relevance, as well as its performance in a number of innovative project-financing schemes introduced in an increasing number of developing countries. The BOT strategy was one such scheme and should be seen as a major instrument for making technological choices aimed at ensuring the required quality of operations, while minimizing environmental damage and infrastructure costs.

75. **Mr. ZAIDE** (Philippines) associated himself with the statement made by the representative of India on behalf of the Asian Group. He stressed the duty of the Member States represented in Vienna to reaffirm the unique value of UNIDO and to ensure that the decision regarding its future was not left to United Nations Headquarters in New York. UNIDO's proving ground consisted in its activities in three areas: field representation; networking; and the promotion of investments and industrialization.

76. Regarding field representation, the Manila field office had one of the highest country cost-sharing contributions to UNIDO programmes and consequently derived the greatest benefits from them, thus demonstrating the validity of the "user pays" principle.

77. In the second area, the Philippines had established exemplary triangular cooperation with Japan and Kyrgyzstan, thus combining North-South and South-South cooperation. That formula for introducing market economy practices into economies in transition was to be repeated in the Mekong area and other regions, and was also being considered by UNDP.

78. With regard to investment promotion and industrialization, the Philippines had recently successfully concluded the INVESTMART'97 in Manila, an investment forum involving the participation of UNIDO and the Philippine Board of Investment (BOI). The forum had attracted 300 foreign and local potential partners from 20 countries; 84 business projects had been evaluated and 52 letters of intent with an estimated value of US$ 420 million had been issued. Those results could not have been achieved without UNIDO or the IPS network.

79. In response to the comments by the representative of Saudi Arabia on BOT assistance, he announced that his country had extensive experience in that area, especially in power generation, which it would be willing to transfer to other developing countries.

80. **Mr. SANUSI** (Nigeria) expressed his delegation's concern that the Industrial Human Resources Development programme had been listed for discontinuation. For the African continent, where training and education were still at a very low level, the need to benefit from complex technological developments in areas such as automation and computerization could not be overemphasized.

81. It was in recognition of the significance of human resources development as an integral part of technological development that Nigeria had set up the Industrial Training Fund (ITF), a programme that had gained the support of the private sector and formed the basis of technological development and management training in all Nigeria's universities and in its 60 or more schools and colleges of science and technology.

82. **Mr. JEDDA** (Tunisia), speaking on agenda item 10, noted that the brief conceptual sketch of the new investment promotion programme given in document IDB.17/23 was of great interest for the developing countries in general. The IPS network constituted a valuable tool for the promotion of partnership with a view to international industrial investment and it was evident that the so-called "second-generation" offices were

83. The network of investment promotion units (IPU) also represented an essential tool for use by developing countries, especially in view of the fact that expansion of the IPS network was encountering financial problems in both developed and developing countries.

84. Finally, he noted the value of the Delegates Programme, for whose development and strengthening the Organization needed to secure new sources of funding, and reiterated his delegation's request that the Investment Forum be held in Tunisia in early 1998, as agreed with the Secretariat.

The meeting rose at 6 p.m.

Distr.
GENERAL

IDB.17/SR.7
10 July 1997

United Nations Industrial Development Organization ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 26 June 1997, at 10 a.m.

President: Mr. I. POSTA (Hungary)
later: Mr. A. VELAZCO SAN JOSÉ (Cuba)

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V.97 25402 (E) (a:\1997\pmo.5)

Distr.: 16 July 1997

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The meeting was called to order at 10.50 a.m.

DEVELOPMENT OF HUMAN RESOURCES FOR INDUSTRY (*continued*) (IDB.17/6)

INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (*continued*) (IDB.17/3)

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INDUSTRIAL INVESTMENT PROMOTION (*continued*) (IDB.17/23; IDB.17/CRP.3)

PRIVATE SECTOR DEVELOPMENT (*continued*) (IDB.17/11)

1. **Mr. TIWARI** (India), speaking on agenda item 7 ("Development of human resources for industry"), welcomed the strategy of a more focused and integrated approach to human resource development for industry and more coordination and cooperation with the International Labour Organization (ILO) and other agencies. In view of the importance of that item, India was ready to offer its training facilities in industry to other countries, and would be willing to discuss concrete proposals in that regard.

2. On agenda item 8, he said that a training programme had been organized in India in December 1996, and had been attended by participants from 16 African and Asian countries, most of them women. His delegation welcomed UNIDO's efforts in that field.

3. On agenda item 9, he wished to stress the importance of continuing work in the areas of environment management systems (EMS) and eco-labelling, and in particular their implications for trade and small and medium industrial enterprises. His delegation welcomed activities in India such as the demonstration/training projects on EMS and the workshop on eco-labelling held in Madras.

4. On agenda item 10, the Government of India had initiated several measures to facilitate flows of foreign direct investment and technology transfer, and over the past three years had arranged a series of so-called INTECHMART programmes, bringing together Indian and foreign partners to promote financial and technical joint ventures. UNIDO had been closely associated with those programmes. The process had now been institutionalized in the form of an investment and technology promotion project, under which a series of INTECHMARTs were to be organized in the various regions of India to capitalize on their inherent potential and resources. The first INTECHMART for the southern region had been held in Bangalore in March 1997. Encouraged by its success, the Government proposed to

hold an INTECHMART for the eastern region in 1998. As a tool for investment promotion and technology transfer, INTECHMARTs had stood the test of time. However, their organizational aspects needed to be improved and overheads reduced.

5. On agenda item 11, his delegation welcomed UNIDO's initiatives to support private sector development, and was interested in the concept of regional industrial development agencies, which could assist countries' less developed regions by reducing disparities. It welcomed initiatives to strengthen relations with the private sector through the International Business Advisory Council and national business councils, and called for greater involvement of the private sector in UNIDO's activities.

6. **Ms. KLEIN BALLESTEROS** (Colombia) said that her country attached great importance to agenda item 10, *inter alia* because an ambitious UNIDO-assisted project involving the opening of an investment promotion office was currently under way in Colombia. In some cases, investment promotion offices had not performed very successfully: the offices in Switzerland and Turkey, for example, had had to be closed down. Her delegation wished to know what were the reasons for those closures.

7. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) said that the Secretariat was very much concerned about the Investment Promotion Service (IPS) network, and was making every effort to overhaul the existing system. The closure of the Zurich IPS office had not yet been finalized. The Istanbul office had closed because the host Government had decided to finance it for only one year; and it would of course be unusual if tangible results were achieved in such a short period. However, improvements in investment promotion activities should become apparent within a year or so.

8. **Mr. POUPARD** (France), speaking on agenda item 10 ("Industrial investment promotion"), announced that the previous day the French authorities had given final authorization for the US$ 2 million contribution by France to the programme to promote the agro-food sector referred to in paragraph 69 of document IDB.17/CRP.3, thereby affirming France's support for that important UNIDO activity.

9. **Mr. PISKOUNOV** (Managing Director, Human Resource, Enterprise and Private Sector Development Division), responding to the comments made by the representative of India, said that the Secretariat was optimistic with regard to integration of training programmes in concrete projects for technical assistance. Each project should include such a component, and good use would continue to be made of UNIDO's past achievements in that field. India had made interesting proposals regarding the use of experts from India in the training of entrepreneurs in countries of the Commonwealth of Independent States (CIS) and countries in transition and the involvement of women in industrial development; he had discussed those proposals with representatives of institutes in India.

10. With regard to private sector development, great importance was attached to the new concept of regional industrial development. A consolidated report on the subject, published the previous day and illustrating the concept's potential for UNIDO's future work, would be circulated to Board members.

THE REGIONAL DIMENSION:

(a) AFRICA, IN PARTICULAR THE SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.17/22, IDB.17/26; IDB.17/CRP.4)

(b) ARAB COUNTRIES PROGRAMME FOR INDUSTRIAL DEVELOPMENT, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE (IDB.17/16)

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC (IDB.17/20)

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN (IDB.17/18)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.17/4)

11. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 12 (a), said that the support programme for the Second Industrial Development Decade for Africa (IDDA II) had given priority to the least developed countries (LDCs), which had received a significant proportion of the projects and activities financed through funds allocated to IDDA II. Fifty per cent of the total allocation under IDDA II would go to the LDCs. The mid-term evaluation of the IDDA II programme had stressed that UNIDO was the only agency providing financial support for implementation of the programme. It had also been recommended that the programme should be targeted on a limited number of objectives. The Alliance for Africa's Industrialization seemed the most suitable instrument for implementation of a refocused IDDA II. The presentation at the first meeting of the session by the Chairman of the Conference of African Ministers of Industry (CAMI) had informed the Board of the decisions of CAMI and its adoption of a Plan of Action for the Alliance. He had also presented the Harare Declaration of the thirty-third

session of the Assembly of Heads of State and Government of OAU which, *inter alia*, endorsed the Plan of Action of the Alliance and the creation of a Steering Committee and a Patron Group in support of the Alliance.

12. On agenda item 12 (b), he said that in the context of the strategy for UNIDO support of industrial development in the Arab region, a number of activities had been developed with the Gulf Cooperation Council, the Arab Iron and Steel Union, the United Nations Economic and Social Commission for Western Asia and the Arab Industrial Development and Mining Organization. With regard to with the programme of assistance to the Palestinian people, three projects had been under implementation in 1996. Overall technical cooperation between UNIDO and the Arab countries had increased substantially. In particular, approval of new projects should increase by more than 17 per cent compared with 1996. In that context, it should be noted that the stress had been shifted from the Montreal Protocol to other sources of financing. Cooperation with the Islamic Development Bank had also been intensified and contacts with the League of Arab States should make it possible to expand regional cooperation.

13. On agenda item 12 (c) ("Special Programme for the Industrial Development of Asia and the Pacific"), he said that over the past year attention had focused on aid to LDCs, particularly through projects for economic and technical cooperation among developing countries. To counteract the drastic decrease in United Nations Development Programme (UNDP) resources allocated to industrial development programmes, new sources had been explored, such as the Multilateral Fund for Implementation of the Montreal Protocol, the Common Fund for Commodities and contributors to the Industrial Development Fund (IDF) for the region. As a result, total new approvals had reached $31.4 million in 1996 against $17.8 million in 1995. A cooperation agreement had also been signed between the Asian Development Bank and UNIDO at the end of 1996. Lastly, UNIDO would participate in the meeting of Ministers of Industry to be convened by the Economic and Social Commission for Asia and the Pacific (ESCAP) towards the end of November 1997.

14. On agenda item 12 (d), UNIDO's activity in Latin America and the Caribbean over the past year had focused on promotion of sustainable industrial development strategies in Mexico, Bolivia, Colombia, Haiti, Honduras, Panama and Uruguay, and on promotion of clean technologies, with cleaner production centre programmes in Argentina, Colombia and Uruguay. At regional level, UNIDO had intensified its cooperation with the Inter-American Development Bank, the Andean Development Corporation (CAF), MERCOSUR and the Caribbean Community (CARICOM).

15. On agenda item 13, the high priority attached to the LDC programme had been reflected in the figures for 1996 and was even more evident in 1997. In 1996, delivery of technical cooperation programmes for LDCs had increased by 20 per cent compared with 1995, from $8.6 million to $10.3 million. Of that total, 84 per cent had gone to African LDCs. That upward trend had continued in the first five months of 1997, with a 24 per cent increase in programme delivery compared with the previous year. A detailed list of activities implemented in LDCs had been submitted to the Board in document IDB.17/10/Add.2.

16. **Mr. BOIKO** (United Nations Economic Commission for Europe (ECE)) said that the fifty-second session of ECE in April 1997 had been its jubilee session, marking its fiftieth anniversary. More than 30 of the 55 member States had been represented at the jubilee session at the ministerial level. Two round tables had been held during the session, the first entitled "Building cohesion in Europe: technical answers to a political aspiration", and the second "ECE: forging partnerships between Governments, enterprises and non-governmental organizations". During the high-level segment of the session, a number of delegates had commented on recent intensive negotiations which had resulted in a series of reforms. The jubilee session had adopted the Declaration on the Strengthening of Economic Cooperation in Europe and the Plan of Action.

17. The reforms outlined in the Plan of Action could be summed up in three words: focus, flexibility, and efficiency. The Commission must focus its activities on its strong points: analysis, conventions, norms and guidelines in those areas where member countries believed that international cooperation was necessary and that the Commission was the best-placed institution to manage it. Flexibility was required to ensure that the programme of work moved on smoothly according to needs. Lastly, efficiency meant concentration on core activities and improved working methods.

18. The reforms detailed in the Plan of Action included a reduction in the number of programme elements by some 60 per cent, and a reduction in the number of principal subsidiary bodies from 14 to 7. Resources would thus be focused on those core areas of work considered to be ECE's strengths: environment and human settlements; transport; statistics; trade, industry and enterprise development; timber; economic analysis; and sustainable energy. A number of industrial development activities would be maintained within the framework of the new Committee on Trade, Industry and Enterprise Development. In addition, a Coordinating Unit for Operational Activities would respond to the needs of specific groups of countries: countries in transition, sets of countries belonging to the same subregion or groups of countries spread throughout a region but

having a common interest. That Unit would also address a number of issues in industrial sectors, organizing workshops and seminars at the request of interested countries. Also included in the Plan was a "consultative mechanism" under which some activities might be discontinued and new ones introduced.

19. The Special Programme for Economies of Central Asia (SPECA) was an example of a subregional initiative. The initiative had resulted from a request by the President of the Republic of Kazakhstan for special United Nations economic assistance for the Central Asian Republics of Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan. As those countries were members both of ECE and of ESCAP, the Secretary-General had requested the Executive Secretaries of both Commissions to join in assisting the Central Asian countries in their efforts to build up a market economy system. In December 1996 a joint team of staff members had visited the region. A conceptual paper had been prepared, on the basis of which the two Commissions had elaborated some 30 possible project profiles. It was expected that, after final polishing, those projects would be submitted to the five Central Asian countries for their consideration. It was planned that each country would choose at least one project and act as a project leader for the subregion. Implementation of projects would require a multitude of problems to be solved, including funding; but the Governments concerned wished to develop closer economic cooperation in the subregion, which was important for the success of the projects. He believed that UNIDO also had an important role to play in the SPECA initiative, which could serve as an example of fruitful cooperation between ECE, ESCAP and UNIDO.

20. **Mr. AL-ERYANI** (Observer for Yemen) said that democracy and development were closely related. Yemen had developed a multi-party democracy based on free and direct elections and rotation of powers. The result had been political stability, a *sine qua non* for the development process, and accelerated development in Yemen. Efforts had been made to achieve financial and economic reform. A five-year development plan had been adopted, a privatization programme implemented, and free zones, such as the Port of Aden, set up. A Law on Investment had been enacted, offering concessions for investors in all fields, and especially for small and medium enterprises (SMEs), which were crucial to development in Yemen. Considerable attention had been paid to infrastructure and basic services. The private sector had been given ample freedom, with a view to enabling it to participate in that process.

21. His delegation recognized the effective role played by UNIDO in assisting LDCs. It hoped, however, that appropriations for the Arab countries programme would be increased, as they were insufficient to meet the needs of the 22 countries covered by the programme. In particular, there was an urgent need for assistance to the Palestinian people at a particularly difficult point in their history. More appropriations should be set aside to alleviate the sufferings of the Palestinians.

22. *Mr. Velazco San José (Cuba) took the Chair.*

23. **Ms. ALEMAYEHU** (Observer for Ethiopia), speaking on agenda items 12 (a) and 13, recalled that the Board, at its special session in April 1997, had agreed on the importance of UNIDO's role in supporting and promoting sustainable industrial development in LDCs (see decision IDB.S.7/Dec.3, annex, para. 1). The draft business plan on the future role and functions of UNIDO (IDB.17/25, annex) showed strong commitment to assistance for the least developed African countries.

24. Her delegation had hoped that the Secretariat would provide a comprehensive, in-depth analysis of performance under the heading of IDDA II *vis-à-vis* the objectives and goals envisaged in document IDB.16/15, but the report contained in document IDB.17/22 was far from satisfactory. It was clear from the mid-term evaluation and the key findings endorsed by the Conference of African Ministers of Industry that there had been a total failure to implement the IDDA II programmes. Her delegation therefore believed that the lofty goals should be abandoned: IDDA II should be integrated fully with the Alliance for Africa's Industrialization, which was a concept on which impressive progress had been made. The formulation of the Plan of Action for the Alliance had been a great step forward. The Alliance had been given unprecedented political support by the Organization of African Unity and CAMI and it was clear not only that Africa needed it but also that it should be given every chance to survive. It should be endorsed by the new UNIDO in its endeavour to enhance the industrialization of LDCs.

25. With regard to item 13, her delegation had been pleased to note from document IDB.17/4 and from chapter V of document IDB.17/10 that the industrialization of least developed countries, particularly in Africa, had received high priority among UNIDO's programmes and that the delivery of technical cooperation to LDCs had increased in 1996 by 20 per cent compared with 1995, with the highest share going to LDCs in Africa. The economies of LDCs in Africa were dominated by agriculture, and it was imperative that UNIDO's industrialization programme for LDCs should focus on linking agriculture with industry. Ethiopia was a beneficiary of the leather and footwear industry scheme carried out by UNIDO at both national and regional levels in Africa; although the effort was commendable, more could have been done in other sectors such as food, clothing and beverages. UNIDO's comprehensive study on the preparatory phase for the formulation of an agro-related industrial programme for African countries, including LDCs, could provide the groundwork for establishing a viable mechanism for the development of

agro-industries in LDCs. It should be integrated with other studies relevant to Africa and should be utilized in the implementation of priority programmes in the future.

26. Her delegation was seriously concerned at the proposal for an indicative level of reduction in UNIDO's budget of over 10 per cent, and urged the Board not to support it. Having listened to statements calling for a drastic cut in UNIDO's budget, Ethiopia appealed to donor countries and financial institutions to assist LDCs in maintaining sustainable industrial development so that they could make a modest contribution to economic globalization in the coming millennium.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.17/14)

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.17/7)

27. **The PRESIDENT** said that if he heard no objection he would take it that the Board wished to take note of the information provided in documents IDB.17/14 and IDB.17/7.

28. *It was so decided.*

PERSONNEL MATTERS (IDB.17/5; IDB.17/CRP.1 and IDB.17/CRP.8)

JOINT INSPECTION UNIT (IDB.17/13)

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.17/12 and IDB.17/21)

29. **The PRESIDENT** reminded the Board of the decision taken at the second meeting (see document IDB.17/SR.2, para. 3) regarding agenda item 19 ("Matters relating to intergovernmental, non-governmental, governmental and other organizations").

30. **Mr. LAESSIG** (Director, Personnel Services), speaking on agenda item 17 ("Personnel matters") and introducing the report by the Director-General contained in document IDB.17/5, noted that there had been a decrease from 796 to 786 in staff numbers at Headquarters between 1 August 1996 and 1 April 1997, but that the gender balance had remained more or less the same. Conference room paper IDB.17/CRP.1 also contained information on staff serving away from Headquarters.

31. As a result of the local salary survey conducted in 1996 at Vienna under the aegis of the International Civil Service Commission (ICSC), the salary scales of General Service staff had been revised downwards by 3.2 per cent. Salaries in payment had been frozen until they were overtaken by cost of living increases, but the lower levels of salary were applied to General Service staff recruited on or after 1 October 1996.

32. Certain changes approved by the United Nations General Assembly for implementation by the common system organizations had resulted in minor increases such as the 0.4 per cent increase in the Professional salary scales approved by the General Assembly. He would add that ICSC had recommended an increase of over 5 per cent. The changes had also entailed minor decreases, such as in the pensionable remuneration at some step levels in the Professional and higher categories, and the introduction of time-limits for the payment of one of the elements of the mobility and hardship allowance. The financial implications of the increases and decreases contained in the report were minimal and could be absorbed within the staff cost allocations contained in the approved programme and budget for the 1996-1997 biennium.

33. With respect to the representation of the UNIDO governing body on the Staff Pension Committee, the Board was invited to recommend to the General Conference at its seventh session candidates for the election of two members and two alternate members for the biennium 1998-1999.

34. The discussions on the draft business plan and the request for the preparation of budget proposals showing indicative levels of budget reduction of 10 and 20 per cent, and in particular the addition of a 30 per cent scenario, raised obvious questions concerning the staff of UNIDO. There was no doubt that any budget reduction at the present stage of the UNIDO reform process would place a severe strain on the Organization's capacity to deliver both substantive and administrative services. Major reductions would also have a long-term effect on the viability of the Organization. In anticipation of a possible budget reduction the Secretariat was already applying a go-slow in external recruitment. Since the sixteenth session of the Board in November 1996, only four external recruitments of Professional staff to Headquarters at the second and first officer level had been approved.

35. Resulting modifications in the organizational and staff structure must occur in an orderly manner in accordance with the Organization's priorities, staff regulations and rules and allow the Secretariat sufficient time for implementation. The progress report of the intersessional working group stated that any discontinuation of activities proposed therein should apply to new projects only, the understanding being that approved projects would be implemented in accordance with the relevant project documents. That meant that the services and expertise of staff implementing those projects and performing the relevant functions would still be required and would entail a budget provision.

36. Efficiency-enhancing measures were ongoing and were under constant review. Further decentralization and delegation were being considered, but they required a phased approach, training and the issuance of guidelines to ensure conformity with organizational policies and definition of responsibilities and accountability. All organizational units carried the burden of changes in organizational and staff structures. A reduction in resources must also take into account short-term requirements such as the resources required in terms of staff expertise and time for the implementation of changes.

37. Document IDB.17/CRP.8 contained additional information relating to a staff separation programme and referred in particular to the need for a voluntary programme, termination indemnities for fixed-term staff and the replenishment of the separation indemnity reserve so that it reached a level commensurate with the separation demand from the decisions of the Programme and Budget Committee (PBC). Member States should consider also the possibility of approving utilization of the present reserve fund for voluntary separations.

38. Due attention must be paid to the consequences that the decisions on the reform of the Organization might have on the staff of UNIDO, who had shown their commitment to its goals despite a high degree of uncertainty. The increase in staff productivity by 22 per cent between 1993 and 1996 would not have been achieved without that commitment, and he trusted that the Board's deliberations would be guided by the fact that the services of the staff were essential for the Organization and its Members.

39. **Mr. TIWARI** (India), speaking on behalf of the Asian Group, said that until such time as the new Director-General took over there should be no hiring, separations or promotions of UNIDO personnel, except for retirements when they were due. The Asian Group was fully aware of the powers and prerogatives of the Director-General with regard to hiring, firing and promotions, but the good practice observed in most Governments and companies was for such decisions not to be taken by an outgoing administration or management. The Asian Group's position took account of the fact that the present Director-General had already declared his intention not to seek re-election, that the process to elect his successor was already under way and that decisions involving personnel recruitment and promotion could wait, the necessary functions being performed by people already in the Secretariat. The Member States were deeply engaged in discussions of the future of UNIDO which were intended to make the Organization leaner and fitter, and in such a situation matters such as recruitment and promotion of personnel should wait. The recruitment of personnel, especially for administrative and Headquarters posts, seemed inopportune at the present transitional stage. Any such recruitment might leave the Organization with avoidable separation costs later, quite apart from the ill will that it would tend to create. The Asian Group's position was in line with the views expressed by several Member States regarding the need for transparency and accountability.

40. **Mr. BENATTALLAH** (Algeria) said that, having listened to the staff representative and the confused explanations given by the management, he had been surprised to learn that the latter was taking and was intending to take important decisions relating to the staff. Without the present opportunity Member States would probably have received no information and been confronted with a *fait accompli* just a few months before the appointment of a new Director-General.

41. The management of UNIDO seemed to be continuing to act as if it were at the beginning of a term of office and as if the Organization were not in a difficult transition phase. He requested the management to do nothing that might complicate the situation and increase the confusion and lack of transparency. A few months before the adoption of a reform plan, there was no usefulness in taking decisions relating to the staff at any level, whether at Headquarters or in the field. The decisions concerning pilot field offices should be halted pending the decision of Member States on field representation in the context of the new organizational structure. The efforts currently being made by Member States should not be thwarted by unjustified decisions which would tie the hands of the future Director-General. His delegation would regard any decisions taken despite the views expressed by the Member States as null and void.

42. **Ms. BRULS** (Netherlands), speaking on behalf of the European Union, said that in view of the decisions to be taken and their consequences for the new structure and number of employees of UNIDO, the European Union requested the Director-General to exercise restraint when recruiting new staff until the next session of the General Conference. In the light of the information provided by the External Auditor in the report made available to missions, the European Union requested the Secretariat to provide detailed figures well in advance of the September 1997 session of the PBC on additional funds needed for staff separation and information as to how it proposed that staff separations should be financed under the various budget scenarios proposed. The European Union was of the opinion that the remaining $1.8 million of the last separation indemnity reserve should already be used to separate staff on a voluntary basis, conditionally upon the Secretariat providing the Member States with a detailed schedule of intended separations, including the costs involved. That would be an important indicator that would help the Secretariat and the Member States to foresee the financial consequences for the next budget biennium. The European Union considered that the new Director-General should have a free hand in extending fixed-term contracts at D-2 and D-1 levels, which would imply that existing contracts of that type should be prolonged only until the end of 1997.

43. **Mr. FAY** (Hungary) requested that the Board recommend to the General Conference renewal of the mandate of Mr. Janos Pogany as an alternate member of the Staff Pension Committee for the biennium 1998-1999.

44. **Mr. IKEDA** (Japan), voicing general support for the views expressed by the representative of India on behalf of the Asian Group and the representative of the Netherlands on behalf of the European Union, said he was well aware of the position of the current Director-General on personnel matters. They were the Director-General's prerogative for the remainder of his term of office; however, his delegation had proposed the idea of freezing senior management posts because it was a special time. Recruitment was particularly important at senior management levels, where new recruits would determine the character and content of the future Organization, and his delegation felt it was reasonable to request a freezing of such recruitment until the new Director-General took office. His delegation had no particular views regarding separations, but agreed with the views expressed by the Netherlands concerning extensions. His proposal was that the current Director-General should grant automatic extension to those in high-level management posts whose contracts expired between now and the time when the new Director-General assumed office, with those provisional extensions being subject to review by the new Director-General. The matter might be more easily discussed in informal consultations on the basis of what appeared to be a convergence of views.

45. **Mr. MANCZYK** (Poland) associated his delegation with the position taken with regard to personnel matters by the representative of the Netherlands on behalf of the European Union, the representative of India on behalf of the Asian Group and the representatives of Algeria and Japan.

46. **Mr. RWENDEIRE** (Uganda) said that he would like first to refer to the question of the regional dimension. To enhance the national, subregional and regional coordination mechanisms, it would be useful to tap the vast experience gained by the countries of the Asia and the Pacific region, in order to promote networking in such areas as the transfer of technology, the sharing of facilities and ideas on industrial human resource development and the strengthening of South-South cooperation.

47. His delegation noted the tremendous efforts that Japan had made to promote development in the Asia and the Pacific region, and knew that Japan had strongly supported the developing countries in seeking innovative concepts for "new development strategies". Japan had stated its conviction that development was a prerequisite for peace and the maintenance of peace a precondition for development. At the Board's seventh special session, it had called for a "new global partnership" in which developed and developing countries committed themselves to addressing development issues in a more cooperative manner, based on the idea of the ownership by developing countries of the development process (see document IDB/S.7/SR.2, para. 57). Japan's proposal for a 30 per cent reduction in the budget had taken his delegation by surprise given Japan's commitment to UNIDO and other international development organizations. The Ugandan delegation trusted that the proposal represented a tactical rather than a strategic move.

48. Regarding personnel matters, his delegation agreed with the Japanese delegation that the future Director-General of UNIDO should come from outside the Organization and supported the proposal to postpone the deadline for the nomination of candidates.

49. **Ms. MARRERO PERMANYER** (Cuba) expressed the view that UNIDO must take measures to guarantee the continuity and efficiency of the ongoing programmes. The Board should not tie the Secretariat's hands and prevent it from recruiting highly specialized staff when they were really needed. The Secretariat was going through a very difficult period and the Board should not add to its difficulties.

50. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, said he thought that UNIDO should freeze all recruitment during the current difficult period pending adoption by the General Conference of the programme and budget for the next biennium. African countries were very interested in the question of recruitment and hoped to see a managing director from Africa in the Organization.

51. The Group wished to propose that Mr. Fatunla of Nigeria should continue as a member of the Staff Pension Committee.

52. **Ms. KLEIN BALLESTEROS** (Colombia) shared the views expressed by the representative of Cuba. It would not be appropriate to impose constraints on the Director-General. The Board should trust him to use his best judgement in conducting UNIDO's affairs until the next session of the General Conference.

53. **Mr. ALCAZAR ALMEIDA** (Brazil) said that the Director-General enjoyed his full confidence. The Board should not tie his hands.

54. **Mr. HOLQUIN** (Ecuador) expressed his support for and trust in the Director-General. He fully agreed with the views expressed by the representatives of Cuba, Colombia and Brazil.

55. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, wished to make it clear that there was no lack of confidence in the Director-General on the part of the African Group, but it was a question of common sense. In view of the agreement reached concerning the

reorganization of UNIDO, the new business plan and the suppression of many activities, recruitment should be postponed until the General Conference had confirmed or rejected the recommendations of the Board.

56. **Mr. HOBEICA** (Lebanon) reiterated his confidence in the Director-General. He trusted that the Director-General would take action in accordance with the agreed business plan until such time as it was adopted by the General Conference.

57. **Mr. PUCCIO HUIDOBRO** (Observer for Chile) said that it was vitally important for the Director-General to be able to act with as much flexibility as possible. It would be wrong to add to his existing difficulties. Member States had elected the Director-General for a specific period and must enable him to perform his duties until the end of his mandate.

58. **Mr. RODRIGUEZ BAEZ** (Paraguay) supported the views expressed by the representatives of Cuba and Chile.

59. **Ms. BRULS** (Netherlands), speaking on behalf of the European Union, said that what the European Union countries wished for was restraint on the part of the Director-General.

60. **Mr. IKEDA** (Japan) proposed that the intersessional group should be asked to study the important subject now under discussion in the light of the present debate.

61. **Mr. HOBEICA** (Lebanon) said that the Board should not tie the Director-General's hands during the difficult circumstances in which UNIDO now found itself and should allow him to continue to manage the implementation of the Organization's programme.

62. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he had already explained his position in some detail the previous day and regretted that the debate had been reopened.

63. He had been elected by some 160 Member States, and was responsible for running UNIDO to the best of his ability. He had been through a very difficult period, an experience more difficult than any other Director-General of UNIDO—and possibly any other executive head of an agency—had known, and he had done his best to fulfil his functions as carefully as possible in line with the United Nations Charter and the principles that should govern the conduct of a director-general of a specialized agency. There were personal agendas, but the Board had not been convened to talk of such agendas. The Board and the Director-General were trying to find a way to strengthen the Organization. It was neither the time nor the place to discuss other subjects. He intended to exercise his constitutional rights until the end of his mandate.

64. He was well aware of UNIDO's current situation. Decisions made by the Division of Administration concerning staff should not harm the Organization or compromise it. Common sense must prevail. The Board must realize, however, that UNIDO was facing very serious staff problems. For example, the Treasurer was leaving; she had been given a three-year contract by another organization. In fact, five staff members in high-level posts were leaving. There was a very serious problem of renewal or extension of contracts. UNIDO would have to show that, in spite of the forces operating against it, it could move forward to implement the projects it had adopted. If he, the Director-General, found himself in a situation in which he was unable to carry out his work, or if he saw corruption, for example, he must be able to take action.

65. As far as promotion was concerned, the procedure followed at present was quite different from that followed in the past. Promotion would first and foremost take place through internal recruitment to higher posts, when appropriate and when all the requirements were met. Promotion could also be given when a post was reclassified, but he assured the Board that no such promotions were envisaged at present. Promotions also took place in certain cases when certain established trial periods had been completed; no such promotions had been made during the current year but it would be hard not to apply the normal procedures.

66. He had no problem with the European Union recommendation for restraint, which was in accordance with his own view of his office. One way of moving forward was to show confidence in the decisions taken by Member States and to respect decisions taken by the General Conference in the past. He would like to convince the Board that he would continue to carry out his functions very carefully. He wished to leave UNIDO in the best possible situation for his successor.

67. He wished to raise another point that had legal implications. As all were aware, the entire United Nations system was in difficulties at present. He had today received a copy of a recent decision by the Congress of the United States of America prohibiting payments to UNIDO and certain other organizations. It was stipulated that none of the funds authorized to be appropriated under the decision should be used to pay any arrears to the United Nations Industrial Development Organization, costs for merging UNIDO into the United Nations or costs associated with any other agency from which the United States had withdrawn with respect to which Congress had rescinded funding. He had discussed the matter with the Legal Service, and believed that the Board should be informed and take action. He personally believed the decision to be contrary to international law, and he very much hoped that the Board would adopt a resolution on the matter. Like other Member States, the United States should pay its debts. Failure to do so would

not help to bring about an effective reform of the United Nations system. The text of the United States Congress decision would be made available to the Board.

68. **The PRESIDENT** said that the Director-General had clearly described his attitude towards his responsibilities and was aware of the need for caution. It could not but be a mistake to tie his hands.

69. The Director-General had also requested the Board to take action concerning the decision made by the United States Congress.

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.17/15)

70. **Mr. PAPULI** (Acting Secretary, Policy-making Organs) introduced document IDB.17/15, calling attention to the fact that the provisional agenda for the seventh session of the General Conference should be drawn up during the current Board session. The draft provisional agenda contained in the annex to the document would need to be updated to include any new items emanating from the current session and possibly from the eighteenth session. He reminded the Board that the Bureau of the General Conference at its seventh session would consist of a President from list B of Annex I to the Constitution, two Vice-Presidents from African States in list A, two Vice-Presidents from Asian States in list A, one Vice-President from list B, two from list C and two from list D. The African States in list A and Member States in list B had agreed to exchange among themselves the principal office of President of the General Conference for the years 1993 and 1997. The rotation listed in appendix A of the rules of procedure of the General Conference was therefore not applicable to the election of the President of the General Conference at the seventh session.

The meeting rose at 12.55 p.m.

Distr.
GENERAL

IDB.17/SR.8
10 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 27 June 1997, at 3 p.m.

President: Mr. I. POSTA (Hungary)

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V.97 25408 (E) (8 1997/pmo 5)

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The meeting was called to order at 3.30 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.17/L.2-L.10)

1. **The PRESIDENT** said that agenda items 4-21 were still open for the adoption of decisions. A number of draft decisions, most of which had already been discussed in the informal consultations, were now before the Board for consideration (IDB.17/L.2-L.10).

2. **Mr. BØJER** (Denmark), speaking as chairman of the informal consultations, said that the present session had been characterized by the large number of substantive agenda items for which no draft decisions had been submitted. The nine draft decisions before the Board, which included seven that were the result of discussions held during four meetings of the informal consultations, would have been still fewer but for a number of procedural requirements. Attention had been focused primarily on the future role and functions of UNIDO. The definition of new parameters under which the Organization would be expected to operate would remain the Board's overriding concern for the next few months.

3. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1996 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.17/2, IDB.17/10 and Add.1 and Add.2)

IMPLEMENTATION OF THE UNIDO REFORM (*continued*) (IDB.17/19, IDB.17/24 and Corr.1; IDB.17/CRP.5)

4. **The PRESIDENT** said that no draft decisions had been submitted on agenda items 4 and 5. He proposed that the Board take note of the information provided by the Director-General on those subjects.

5. *It was so decided.*

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO (*continued*) (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7; IDB.17/L.2, IDB.17/L.10)

6. **The PRESIDENT** drew attention to draft decision

7. **Mr. PAPULI** (Acting Secretary, Policy-making Organs) pointed out that the word "draft" appearing in the first line of the annex to the draft decision had been included in error and should be deleted.

8. *The draft decision, as corrected, was adopted.*

9. **The PRESIDENT** said that the draft decision just adopted contained indications regarding the format and presentation of the programme and budget proposals for 1998-1999, including two levels of resource ceiling resulting from indicative reductions of 10 and 20 per cent. The Secretariat was accordingly requested to present budgetary proposals in accordance with those indicative levels to the Programme and Budget Committee.

10. In response to the discussions at the current session and with the concurrence of the Board, he requested the Secretariat to present a third budgetary proposal based on an indicative reduction of 30 per cent, with the understanding that it would be considered on an equal basis with the other two submissions.

11. **Mr. BENMOUSSA** (Morocco) said that his delegation acknowledged the efforts expended in achieving the adoption, by consensus, of the business plan on the future role and functions of UNIDO, but was not fully in agreement with its contents. The conceptual approach pursued by the intersessional working group was inconsistent with the prevailing situation in the developing world, and the strategy of arbitrarily implementing budget reductions was at odds with the aims of revitalizing the Organization and improving its efficiency.

12. On the basis of actual or announced departures of some major contributors, reform negotiations had been initiated with a view to rescuing UNIDO, increasing its international credibility, improving the management of its budget, concentrating its core activities, strengthening its field representation, reducing its administrative costs, raising its operational performance, enhancing its level of expertise and improving staff motivation, thereby enabling the Organization to emerge reinvigorated and able to meet the challenges of liberalization and globalization.

13. The new globalization ideology, in which the world's benefits were seen as flowing out equitably and uniformly across the entire planet, could not be further from reality. It might be noted, by way of illustration, that Cable News Network's 55 million potential viewers represented barely one per cent of the world's population,

never seen the printed word or witnessed a televised or even a radio broadcast, and that for a significant proportion of humankind the Internet was an unattainable illusion.

14. Experts, decision makers and even representatives of the developed countries all too often overlooked the uneven composition of the world with its enclaves of prosperity and pockets of competitiveness surrounded by the poverty, suffering and deprivation of billions of men, women and children. However, far from constituting a threat to civilization, liberalization and globalization could indeed prove to be the opportunity of the coming century if pursued in a spirit of cooperation and mutual support, with due regard for the marginalized populations and for the countries excluded from the global integration process.

15. Outright rejection of State intervention and unqualified promotion of the private sector meant switching from one extreme to the other. The Director-General, in his message to the special session of the General Assembly on the implementation of Agenda 21, had stated that the solution could not be left to global market forces, and that the private sector could not be expected to solve all ills. There could be no sound functioning of markets or agreed rules for deregulating the economy or privatizing public enterprises or scientific and technological advancement without the existence of strong Governments capable of establishing their leadership on the basis of legitimate institutions.

16. The introduction of ideological elements into what should be an essentially pragmatic matter was to be avoided, since economic success and progress towards sustainable development were achieved not by the adoption of a given model or the amount of assistance granted, but by the vigorous implementation of rational and practical policies over an extended period, primarily through constructive cooperation between public-sector activity and private-sector initiative.

17. It could be argued that globalization in its current form was causing economies to move towards short-term patterns of production through the shortening of the useful life of products and the increase in temporary and flexible employment, with available resources being rapidly rendered obsolete and non-recyclable. Human labour and social relationships bore the brunt. Globalization was enabling large networks of multinational firms to make profitable use of small and medium-sized enterprises (SMEs) at minimal cost. One might therefore justifiably question the relevance of UNIDO's refocusing of its activities, whereby almost exclusive priority was accorded to SME development despite the diverse industrialization needs of the developing world.

been quickly dashed by the combined effects of new budgetary policies and the developing countries' diminishing strategic importance to the developed countries. The accrued dividends of peace were currently estimated at close on 1,000 billion dollars; however, reinvestment of those savings in restructuring armaments industries and in safeguarding jobs did not justify the decline in official development assistance (ODA), now at its lowest level for 45 years. Regrettably, budgetary restrictions introduced by the developed countries targeted primarily development assistance and contributions to international organizations' budgets.

19. A few revealing facts would serve to demonstrate the divide between rich and poor. Export subsidies granted by the developed countries on agricultural and mining products far exceeded the sums granted by way of international assistance; the wealth of some 350 dollar billionaires surpassed that of half the world's population, and the combined income of three billion individuals was considerably less than the gross national product (GNP) of individual major contributors such as France, Germany and Japan, the latter two of which were calling for drastic reductions in UNIDO's regular budget, at the risk of bringing about the collapse of the Organization.

20. Member States' contributions were based on the same scale of assessments and calculated using the same equation. Those States should accordingly accept the position in which their prosperity placed them and participate according to their capacities. A strong appeal should be made to all those in arrears, including the United States of America, to settle their outstanding debts and thereby comply with international law.

21. While not wishing to exclude other countries, including those with economies in transition, where hundreds of millions of people were living below the absolute poverty line, he believed that UNIDO should accord priority attention to Africa, the world's least developed continent, whose increasing impoverishment could be illustrated with telling effect by a few statistics. Over the past 30 years, the average income of one African inhabitant had fallen from 14 to 7 per cent of that of a person living in a developed country; sub-Saharan Africa's 47 countries accounted for only 2.4 per cent of world GNP; Africa's 3 per cent share of world trade in the mid-1950s was now below 1.5 per cent; the commercial operations of the African continent's poorest countries represented barely 0.3 per cent of total world trade, and sub-Saharan Africa spent twice as much on servicing its external debt as on education and health care. Starved of direct foreign investment, Africa had the world's lowest manufacturing output rate of 0.1 per cent. The least developed countries (LDCs) and Africa thus had a press-

its recent meeting in Denver. How then could the Organization's main contributors present at that meeting now call for further cuts in an already drastically reduced budget?

22. He was even more concerned to note that the budgetary reduction scenarios did not take account of the critical mass of key departments but presupposed a further massive and demoralizing round of staff separations. Worse still, the requested cuts signalled a similar fall in voluntary contributions to the Industrial Development Fund.

23. His delegation would continue to strive, between now and the next sessions of the Programme and Budget Committee and the General Conference, to secure a reconsideration of the conceptual and budgetary approaches that would lead to a revitalization of UNIDO and prevent the undermining of its existence.

24. **Mr. FATUNLA** (Nigeria) said that his delegation fully endorsed the remarks of the representative of Morocco.

25. **Mr. ABOUZEID** (Egypt) said that his delegation agreed with all that the Moroccan representative had said. While Egypt had joined the consensus concerning the business plan on UNIDO's future role and functions, it would have preferred a reconsideration of the activities that were to be discontinued and had hoped that the statements made by many developing countries, particularly regarding their need for UNIDO's assistance, might have been taken more fully into account.

26. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, said that it had been agreed that the proposed 1998-1999 programme and budgets should be based on the programmes elaborated in the business plan, reflecting the changes in UNIDO's membership, the discontinuation of some activities, the streamlining of organizational structures and the introduction of efficiency-enhancing measures. That basis in itself constituted one budget reduction scenario, to which he would like the Secretariat to give consideration when preparing its budget proposals.

27. **Mr. MOHAMED** (Sudan) said that he supported the statement made by the previous speaker.

28. **The PRESIDENT** drew attention to draft decision IDB.17/L.10 entitled "Financial situation of UNIDO".

29. *The draft decision was adopted.*

DEVELOPMENT OF HUMAN RESOURCES FOR INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (*continued*) (IDB.17/3)
ENVIRONMENTALLY SUSTAINABLE INDUSTRIAL DEVELOPMENT (*continued*) (IDB.17/8)

INDUSTRIAL INVESTMENT PROMOTION (*continued*) (IDB.17/23; IDB.17/CRP.3)

PRIVATE SECTOR DEVELOPMENT (*continued*) (IDB.17/11)

30. **The PRESIDENT** said that no draft decisions had been submitted on agenda items 7, 8, 9, 10 and 11. He proposed that the Board take note of the information provided by the Director-General and the Secretariat on those subjects.

31. *It was so decided.*

32. **The PRESIDENT** said that the president of the International Business Advisory Council (IBAC) had been unable to address the Board during its consideration of agenda item 11 but had submitted a letter setting out IBAC's recommendations. That letter would be made available to delegations.

THE REGIONAL DIMENSION:

(a) AFRICA, IN PARTICULAR THE SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

(b) ARAB COUNTRIES PROGRAMME FOR INDUSTRIAL DEVELOPMENT, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(*continued*) (IDB.17/16, IDB.17/18, IDB.17/20, IDB.17/22, IDB.17/26; IDB.17/CRP.4; IDB.17/L.5)

33. **The PRESIDENT** drew attention to draft decision IDB.17/L.5 on sub-item (a), "Africa, in particular the Second Industrial Development Decade for Africa".

34. *The draft decision was adopted.*

35. **The PRESIDENT** said that no draft decisions had been submitted on sub-items (b), (c) and (d). He proposed that the Board take note of the information provided by

36. *It was so decided.*

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (*continued*) (IDB.17/4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (*continued*) (IDB.17/14)

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (*continued*) (IDB.17/7)

FIELD REPRESENTATION (*continued*) (IDB.17/9)

37. **The PRESIDENT** said that no draft decisions had been submitted on agenda items 13, 14, 15 and 16. He proposed that the Board take note of the information provided by the Director-General on those subjects.

38. *It was so decided.*

39. **Mr. HOLQUIN** (Ecuador) said that, in his delegation's view, the documentation provided on agenda item 16 concerning field representation did not reflect the principles of proportionality, geographical distribution and decentralization.

PERSONNEL MATTERS:

(a) UNITED NATIONS JOINT STAFF PENSION FUND

(b) INTERNATIONAL CIVIL SERVICE COMMISSION

(*continued*) (IDB.17/5; IDB.17/CRP.1 and Corr.1, IDB.17/CRP.8; IDB.17/L.6, IDB.17/L.7)

40. **The PRESIDENT** drew attention to draft decision IDB.17/L.7 entitled "Personnel matters".

41. *The draft decision was adopted.*

42. **The PRESIDENT** drew attention to draft decision IDB.17/L.6 on sub-item (a), "United Nations Joint Staff Pension Fund", pointing out that the text still contained two blank spaces. With regard to the first, under "Members", he had been informed that a candidate from Austria, Ms. Bruck-Friedrich, would be recommended. With regard to the second, under "Alternate members", he wished to propose that, in the interests of equitable representation, a candidate from the Group of 77 be recommended and that a new paragraph (c) be added, as follows: "Takes note that one additional candidature for the election of an alternate member of the UNIDO Staff Pension Committee will be provided directly to the

44. *The draft decision, as amended, was adopted.*

JOINT INSPECTION UNIT (*continued*) (IDB.17/13)

45. **The PRESIDENT** said that no draft decision had been submitted on agenda item 18. He proposed that the Board take note of the information provided by the Secretariat on the subject.

46. *It was so decided.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (*continued*) (IDB.17/12, IDB.17/21; IDB.17/L.3, IDB.17/L.4)

47. **The PRESIDENT** said that the Bureau had reviewed the information provided on one intergovernmental organization wishing to enter into an appropriate relationship agreement with UNIDO, which was referred to in document IDB.17/21. He drew attention to draft decision IDB.17/L.3 relating to that intergovernmental organization.

48. *The draft decision was adopted.*

49. **The PRESIDENT** said that the Bureau had reviewed the applications for consultative status with UNIDO from two non-governmental organizations (NGOs), which were referred to in document IDB.17/12. He recommended to the Board the adoption of draft decision IDB.17/L.4 concerning those applications.

50. **Mr. PAPULI** (Acting Secretary, Policy-making Organs), replying to a question raised by the representative of Turkey, said that, following the Secretariat's past practice of according consultative status to various kinds of NGOs, not just to specialized ones, it had been felt that such status could be granted to the International Multiracial Shared Cultural Organization (IMSCO) on that basis. IMSCO had a broad mandate, being concerned with a number of developmental issues. Its activities which related to the work of UNIDO were set out on page 3 of document IDB.17/12.

51. *The draft decision was adopted.*

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.17/15; IDB.17/L.9)

52. **The PRESIDENT** drew attention to draft decision

PROVISIONAL AGENDA AND DATE OF THE EIGHTEENTH SESSION (IDB.17/CRP.2; IDB.17/L.8)

54. **The PRESIDENT** drew attention to draft decision IDB.17/L.8, pointing out that blank spaces had been left in paragraph (d) pending agreement on the dates for holding the second part of the Board's eighteenth session. The alternative periods available were 3-7 November and 17-21 November 1997.

55. **Mr. FÖRSTER** (Netherlands), speaking on behalf of the European Union, and **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, expressed a preference for the latter period.

56. **Ms. OK** (Turkey) requested the postponement of a decision on the dates in order to allow delegations time to check their other commitments during those periods.

57. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) suggested that, if no agreement could be reached at the current session, the intersessional working group should be authorized to fix the dates at one of its first meetings.

58. **The PRESIDENT** said that no major policy-making organ of any other international organization was due to meet during the periods in question. It was necessary to reach a decision promptly in order to ensure the availability of conference facilities at the Vienna International Centre. Two groups of States had indicated a preference for the period 17-21 November 1997. If he heard no objections, he would take it that the Board wished to adopt the draft decision incorporating those dates.

59. *It was so decided.*

60. *The draft decision, as amended, was adopted.*

ADOPTION OF THE REPORT (IDB.17/L.1)

61. **Mr. TOOTOONCHIAN** (Islamic Republic of Iran) said that, owing to time constraints, the report (IDB.17/L.1) contained some blank spaces. The final report would, however, duly reflect the events of the entire session and the decisions adopted.

62. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the close of the session.

CLOSURE OF THE SESSION

64. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he greatly appreciated the strong commitment shown by all delegations in the discussions during the session, whose outcome was reflected primarily in the adoption of the business plan. Member States had now defined the framework for UNIDO's future activities and had established indicative budgetary scenarios for their implementation. The Secretariat had undertaken to present its first detailed programme and budget proposals for each of those scenarios by early August. The Organization's budget would, for the first time, be based on a fully programmatic approach, clearly showing the resources allocated to, and the outputs envisaged under, the programme clusters identified in the business plan. That would allow the future output-oriented monitoring of UNIDO's activities and constituted the first step towards establishing performance criteria as proposed by the Swiss delegation.

65. The Secretariat would bring together its professional expertise in carrying out an in-depth programmatic analysis to translate the principles of the business plan into effective, integrated programmes. As stated by the representative of the Republic of Korea among others, the Secretariat should be allowed to express its views more effectively on UNIDO's future. The best interests of the Organization's reform would be served through the assistance which the Secretariat, with its accumulated knowledge and experience, could provide. From the outset, he had provided Member States with the Secretariat's assessments in a spirit of professional responsibility, even when those analyses pointed to serious implications of some reform ideas put forward. That ensured that Member States were aware of all relevant considerations and of the consequences that would arise from decisions taken.

66. With regard to the three proposed budgetary reduction scenarios, he wished to reiterate that he did not believe reform to be equal to budget cuts; on the contrary, UNIDO was in need of additional resources in view of the increasing demand for its services. A 10 per cent reduction scenario could be implemented through the introduction of further efficiency-enhancing measures, greater streamlining of organizational structures and the refocusing of programmes in accordance with the business plan, including the discontinuation of some activities. A 20 per cent reduction scenario would clearly involve significant cuts in substantive programmes and thus reduce UNIDO's capacity to respond to demand, even in regard to those activities identified as priority areas in the business plan. A 30 per cent reduction scenario, as proposed by Japan, would pose a serious challenge to the

would make an in-depth analysis of the implications of such a scenario and present a serious proposal for the consideration of Member States, endeavouring as far as possible to follow the spirit of the business plan. That proposal would entail fundamental and difficult choices regarding the activities that could be maintained and the field representation that could be justified. All Member States' interests, including the remarks made on behalf of the Latin American and Caribbean Group would be taken into account. As pointed out by the delegation of India, sudden and stiff budgetary reductions could leave UNIDO organizationally anaemic and inadequate. He therefore hoped that, whatever budget scenario was finally adopted, the Programme and Budget Committee would give due consideration to the transitional costs involved and make adequate provision to cover them.

67. A careful review of the operational budget estimates was now required, in view of the position of Germany and Japan regarding their voluntary contributions and in the light of the interest shown by other countries, such as the Netherlands and Denmark, in supporting specific programmes. There had also recently been increases in contributions through self-financing trust funds in some countries and regions. He wished to encourage Member States to give consideration to those matters, with a view to supporting the Organization to the extent possible, and to examine the possibility of studying other sources of income that would provide UNIDO with greater stability in the future.

68. An important asset of UNIDO was its staff. Given the uncertainties surrounding the Organization's future resources, he would exercise cautious and judicious management of personnel matters, particularly concerning external recruitment and senior-level posts. He could not, however, commit himself to an unconditional recruitment freeze, or adopt a wait-and-see attitude regarding contract extensions, at a time when key personnel were leaving the Organization, project approvals and delivery had been rapidly increasing and UNIDO had made important commitments. Those were essential requirements for maintaining staff capacities in highly technical areas.

69. Significant progress had been achieved at the current session in defining a sustainable future role for UNIDO within the overall United Nations system. Joint efforts were needed in order to conclude that process by the forthcoming General Conference session, so that the Organization would be in a position to assume its new functions. That called for determined management on his part and for the full support of all Member States. While the approaching election of a new Director-General presented an additional complication, he hoped that Member States would to the extent possible put aside their national, and sometimes personal, agendas and in a spirit of compromise find a solution in the best interests of UNIDO.

70. The issue of the payment of assessed contributions was more pressing than ever before. In contrast to some statements made concerning UNIDO's present financial situation, the rates of payment of contributions for the current year were similar to those for the previous year and were higher than the average for the United Nations system and many specialized agencies. Nevertheless, as pointed out by the Swiss delegation, further streamlining could only be effective if all Member States paid their assessed contributions fully and without delay. That had to apply also to former Member States, in particular the United States of America. As requested, he would explore all possibilities for collecting that country's arrears of $61 million. However, action by the Board was now necessary in the light of the decision recently adopted by the United States Congress. While the United States refused to fulfil its international obligations, Member States would have to provide the resources to meet the costs of any future separations.

71. **The PRESIDENT** expressed his appreciation to all delegations for their constructive attitude and cooperation, and extended his thanks to the members of the Secretariat for their valuable support, and to the technical staff, conference officers and interpreters, whose efforts had greatly contributed to the successful work of the session.

72. After the customary exchange of courtesies, he declared the seventeenth session of the Industrial Development Board closed.

The meeting rose at 4.55 p.m.